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EDITORIAL

As We See It

Most Americans, we should suppose, were rather more amused than impressed by Dr. Einstein's recently expressed *post facto* preference for plumbing and peddling. If in this country at least any restrictions have ever been placed upon the scientific explorations of the magnificent intellect of this estimable genius, they have escaped our notice. Neither has Dr. Einstein, so far as known, been denied access to information in which he would normally be vitally interested in the pursuit of his scientific inquiries. If it has been adjudged unsafe for the nation to permit one of his associates to share fully in information about what the military forces of the country are doing or planning, and if by implication at least Dr. Einstein is forbidden to impart such information of this sort as he happens to possess to one of his associates, the restriction thus imposed hardly seems sufficient to bring forth the lament which now issues from the mouth of the honored and beloved discoverer of so much that is vital in the field of physics.

This latest outpouring of Dr. Einstein has, however, tended to bring once more into focus an aspect of modern life and modern politics which is baffling enough in some of its facets and ununderstood and even unrecognized in others. History amply demonstrates the need for a very wide degree of latitude for the nonconformist in whatever field he may operate. This is particularly true of the nonconformist who is not only essentially a rebel against convention and conventional thinking but is gifted with originality and constructive creativeness. Much of the progress of mankind through the ages is to be credited to

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A Look Ahead in Steel

By BENJAMIN F. FAIRLESS*
Chairman of the Board,
United States Steel Corporation

Forecasting a rise of from five to ten million tons in steel production next year, Mr. Fairless sees moderate gains in general business, with a still more rapid expansion in the late 1950's. Says nation "stands at the gateway of what promises to be a great scientific revolution," which will require a radical change in the deployment of capital and manpower, and at least $300 billion of risk capital will be needed in next 20 years. Predicts large demand for steel arising from turnpike construction.

During the past year we have come through what has undoubtedly been the most widely-advertised and the most highly-overrated recession that this nation has ever experienced. And now that the late lamented Congressional campaign has been concluded, I think most of us will agree that the slump was surprisingly mild, so far as the national economy, as a whole, is concerned.

Benjamin F. Fairless

The relatively minor decline which did occur was due, in the first instance, largely to the sudden relaxation of wartime pressures upon our economy; and its most immediate and serious effects were felt in certain heavy industries—among which, of course, was steel. As business dropped off in these industries, a secondary effect was evident in other segments of the economy, but this was much less severe. Thus, while the operating rate in steel fell 30%, the over-all index of industrial production went down only about 10%; and the effect upon total employment, purchasing power, private spending and personal savings was even less substantial.

So much, then, for where we have been. Today almost every significant index of business activity indi-

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*An address by Mr. Fairless before the 17th Annual Meeting of the Alabama State Chamber of Commerce, Birmingham, Alabama, Nov. 17, 1954.

Business Outlook for 1955

By ALLYN P. EVANS*
President, Lionel D. Edie & Co., New York, N. Y.

In the judgment of Mr. Evans, the economy will grow 4% in 1955 and the Gross National Product will increase about $16 billion. Says this increase will be built upon a solid foundation, with a rise of $9 billion in spending by the consumer. Sees chances of additional tax cuts which will increase consumer spending. Summarizes nature of 1955 business recovery as: (1) stability of capital expenditures; (2) continued heavy government spending, and (3) a general increase in inventories. Predicts "a changed economy dedicated to the consumer"

The big economic debate in 1953 was the extent of the decline and where it would stop. The question today is how much will the economy recover in 1955?

The answer may be stated in one word "growth." Growth means an improvement of 4% in 1955. Over a long period of time the American economy has grown at a rate of approximately 4% a year in terms of physical output.

Allyn P. Evans

In my judgment the economy will grow 4% in 1955. That represents a Gross National Product (which is the dollar value of all goods and services produced within a given period, generally a year) in 1955 of approximately $370 billion without allowance for price changes. The present Gross National Product is approximately $356 billion, so that 4% growth in 1955 equals an increase of $14 billion.

Four per cent may not seem like much. It is true that the economy has, in the past, grown as much as 10% in one year. But those immense gains have generally been in periods of national emergency and have been accompanied by price inflation. It was not fundamental growth that raised the economy by 10%; it was generally a period of artificial stimuli

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*An address by Mr. Evans at the 34th Annual Meeting of the American Petroleum Institute, Chicago, Illinois, Nov. 10, 1954.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 37.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Fischer & Porter Co. Part. Pref. Stock — Stanley A. Kitzinger, Reynolds & Co., New York City. (Page 2)

Carrier Corporation (A Security I Like) — Franklin T. McClintock, Vice-President, Harriman Ripley & Co., Inc., New York City. (Page 31)

STANLEY A. KITZINGER
Reynolds & Co., New York City
Members, New York Stock Exchange

Fischer & Porter Company Participating Preference Stock

The participating preference shares of Fischer & Porter Company appear to be an unusually attractive medium for sophisticated investors interested in well-secured dividend income plus the opportunity of wide capital gain over a period of time. Although a relatively small company and virtually unknown to the investment community

Stanley A. Kitzinger

Fischer & Porter has all the earmarks of a promising growth situation. Serving a broad cross-section of industry, the company produces a diversified product line including process control instruments, centralized control stations as well as data reduction and automatic systems. Concentration on research and development has resulted in the introduction of many important lines in the fields of instrumentation and automation. The company is now manufacturing chlorination equipment utilizing advanced design and engineering concepts which appears to have outstanding potential. Sales have increased 160% in the last ten years while profits have experienced steady gains. Book value has more than tripled in the same period.

Background

Since 1937, Fischer & Porter has built up an enviable reputation as a producer of flow rate meters for the measurement of practically every type of liquid and gas, instruments to measure viscosity, fluid density, consistency, pressure and temperature, and precision glass parts for a variety of products made by other manufacturers. Operating through strategically located sales engineering offices as well as overseas subsidiary affiliates, the company is well situated to meet the growing requirements for its products and services. The company is a leading manufacturer of variable-area type flow meters (rotameter) marketed under the trade name FLOWRATOR. These meters are particularly suitable for flow measurements and control. In addition to designing control systems for the process industries, the company also makes an extensive variety of instruments used by the pulp and paper industry. The F & P Feedrator, a chemical feeder used for simultaneously metering, controlling, mixing and dispensing liquid chemicals into liquid streams has also attained wide acceptance. Another typical company instrument installation is a unit built for a penicillin plant which measures flow rates of raw materials used in penicillin production and also performs other key functions.

Recent Developments

The company recently accelerated its research and development program and it is interesting to note that in the past two years its research staff and facilities have more than doubled. To meet the demand of industry for miniature instruments, the company has introduced a complete line of miniature-case, indicating, and automatic control industrial instruments and it is anticipated that a sharp rise in orders for this equipment will develop. One of the most significant events in the company's history was the introduction of a series of chlorinators designed for municipal water and sewage plants, industrial use and for other purposes. The field of sewage and waste treatment seems especially promising. It is estimated that there are approximately 12,000 sewage plants in service and there is a strong need for many more plus a heavy demand for more industrial waste treatment plants. Possessing the dual advantages of low maintenance and reduced operating costs, the company's new chlorinating equipment is regarded as one of the most important advances in the water treatment field in the past 35 years and is responsible for the rapid expansion of this phase of the company's business.

To fill the rising industrial requirements for practical and flexible data reduction and automation equipment, Fischer & Porter recently acquired the Electrical Development, Company, Inc. and the Digi-Coder Corporation. The "Digi-Coder" translates instrument readings into data which electronic computers can accept and handle, thereby establishing another automatic industrial process. The company has already received substantial orders for either complete data reduction systems or system components from the Hanford Atomic Energy Works, the Standard Oil Co. of New Jersey and others. The Electrical Development Company is engaged in the manufacture of complete instrumentation systems and control centers for the conversion of measured variables, such as temperature, pressure, weight and voltage into typed records or other useful forms. The company's Automation Division seems to be in a strong position to benefit from the general trend of industry to adopt methods and equipment using automatic controls.

Plant Facilities

The company's main plant is located at Hatboro, Pa., where a modern building comprising some 136,000 square feet is occupied. The company's Canadian subsidiary has expanded steadily since formation in 1949 and a new 10,000 square foot plant north of Toronto is now occupied. Other branch plants are located at Los Angeles and Dallas while foreign manufacturing affiliates operate in Australia, England, France and the Netherlands. Less than 10% of the company's business stems from export sales. The company's net plant and equipment account has increased from $440,000 in 1945 to $1,190,000 for the year ended April 30, 1954, reflecting frequent additions to plant facilities and equipment.

Sales and Earnings

In seven of the last 10 fiscal years, the company has registered increases in sales with earnings following the same over-all trend. Sales have climbed from $3.0 million in fiscal 1945 to $7.7 million in fiscal 1954. During the same period earnings have jumped from $0.55 per participating preference share to $2.12 despite an excess profits tax payment of $0.48 per share incurred in the fiscal year ended April 30, 1954. In fiscal 1953, earnings for each participating preference share amounted to $2.04 on a reported dollar volume of $7.4 million. For the four months ended Aug. 31, 1954 sales of $2.7 million were registered by the company on which a net income after taxes of $0.71 per participating share was realized. Sales in the current fiscal year are expected to reach a record high while the elimination of EPT coupled with increased operating efficiency and a decline in development expenses suggest that earnings will compare favorably with last year's results. (See accompanying tables.)

Financial Position

As of Aug. 31, 1954 the book value of the participating preference stock of the company was equal to $13.21 per share, as compared with $12.16 a year earlier and $2.83 in 1945. The company maintains a sound financial position. Total current assets including cash of $288,000 amounted to $3.1 million as against current liabilities of $1.2 million—a working capital balance of $1.9 million.

Description of Participating Preference Shares

Since practically all of the 115,000 shares of common stock are

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FINANCIAL SUMMARY

Year*	Net Sales (000)	Pre-Tax Income (000)	Pre-Tax Margin	Net Income	Per Part. Pref. Share** Earnings	Dividends
1954	$7,716	$643	8.3%	$246,000	$2.12	$0.70
1953	7,356	817	11.1	237,000	2.04	0.65
1952	7,937	1,255	15.8	364,000	3.13	---
1951	5,258	421	8.0	178,000	1.53	---
1950	3,200	90	2.8	54,000	0.46	---
1949	3,622	314	8.7	188,000	1.62	---
1948	2,781	179	6.4	107,000	0.92	---
1947	2,428	93	3.8	55,000	0.47	---
1946	2,353	47	2.0	28,000	0.24	---
1945	2,967	244	8.2	64,000	0.55	---

*Fiscal year ended April 30.
**Based on 116,298 participating preference shares outstanding on Oct. 5, 1954.

BALANCE SHEET STATISTICS

Year*	Current Assets (000)	Current Liabilities (000)	Working Capital (000)	Plant & Equipment (000)	Total Assets (000)	Long-Term Debt (000)
1954	$2,995	$1,383	$1,612	$1,190	$4,437	$400
1953	2,703	1,380	1,323	1,162	4,053	450
1952	2,386	1,684	702	1,035	3,540	290
1951	1,837	1,069	768	738	2,664	440
1950	1,082	625	457	685	1,850	189
1949	1,033	512	521	601	1,674	204
1948	874	497	377	483	1,387	193
1947	775	437	338	435	1,227	197
1946	696	306	390	327	1,028	187
1945	660	515	145	440	1,179	156

*Fiscal year ended April 30.

Income Tax Pointers Affecting Securities

By J. S. SEIDMAN, C.P.A.
Seidman and Seidman
Certified Public Accountants

Mr. Seidman, after noting important changes made in the Federal Income Tax Law, describes the changes made in the law affecting income from dividends and from profits on sale of securities. Explains how to convert dividends and interest into capital gains and how to treat "wash sales," gives advice regarding timing of year-end sales.

Though 1954 has seen sweeping changes made in the Federal Income Tax Law, and as a result dividends will pay less tax than before, "capital gain" is still a magic word. The reason is simple. Individual tax rates can go to 91%. Corporate rates can go to 52%. But with a capital gain, Uncle Sam's maximum take is 25%. Hence, the big push is for capital gains. What is a capital gain? By and large it is the profit on the sale of anything other than the merchandise of a business. A common example of a capital gain is the profit made by an investor on the sale of stocks and bonds. Everything here will accordingly be described in terms of securities, but what is said will also apply to commodities, foreign exchange, real estate, etc.

J. S. Seidman

The rules for the security "investor" are different from the rules for those who do enough buying and selling to be a "trader" or "dealer." Only the investor will be considered here—first the individual investor, and then the corporate investor.

THE INDIVIDUAL INVESTOR

Because the tax rules on dividends have been drastically changed for 1954, it may be well to take a look at them first before treating the capital gains and losses. Two new benefits apply to 1954 dividends:

(1) The first $50 of dividends are completely exempt from tax. If a husband and wife own stock separately or jointly, the $50 exemption applies to each of them. That means $100 in total for both whether they file separate or combined returns.

(2) On the remainder of the dividends, after the tax is figured in the regular way, the tax is then reduced by 4% of the amount of all dividends received after July 31, 1954. There is one limitation. This reduction in tax can not be more than 2% of the year's net taxable income. (In 1955, the limitation will be 4% of the year's net taxable income.)

The dividends to which these two new allowances apply are those from American companies that are themselves subject to tax. Even then, the allowances don't apply to dividends from "mutual" insurance companies and savings banks nor to the so-called capital-gain dividends of regulated investment trusts.

How the 25% Rule Works on Security Profits

Security profits go in one of two baskets, based on the length of time the securities are owned. Six months is the dividing line. Profits on securities held for more than six months (here called over-six-month profits) go in one basket. Profits on securities held six months or less (here called under-six-month profits) go into the second basket.

For losses there are the same two baskets. The losses in each basket are netted against the profits in the same basket. If there is a net loss in one basket and a net profit in the other, the two are likewise netted.

If netting one basket against the other leaves a net profit in the under-six-month basket, that profit is reportable in full in the regular way. If it leaves a net profit in the over-six-month basket, there is a two way play, whichever gives the lower tax (1) a flat tax of 25% of the profit, or (2) reporting half the profit in the regular way.

The 25% limit on the tax becomes meaningful to individuals with more than $16,000 income. That figure becomes $32,000 if husband and wife are involved and they file a combined return. People with lower incomes pay less than a 25% over-all tax. As the lowest regular tax rate is 20% and only half the security profits need be reported, the tax on security profits for people in the 20% bracket is only 10%.

How Security Losses Are Treated

If after netting the results of the under-six-month basket against the over-six-month basket there is a loss, then regardless of what basket it comes from, the loss is deductible, within certain limits. To illustrate: if the net on all trades for 1954 is a loss of $10,000, only $1,000 of this loss can be deducted in the 1954 return. The other $9,000 goes in the under-six-month basket for the five years 1955 to 1959, to apply against the first $9,000 of any net security profits in those years. If there are no net security profits in those years, $1,000 can be taken as a regular deduction from other income in each of the five years. That absorbs $5,000. Nothing can be done about the other $4,000. Security losses of any year can be

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Specific Comment on General Cigar

By IRA U. COBLEIGH

Enterprise Economist

Leafing through a few current notes on one of the leading cigar manufacturers, with especial emphasis on a new process, HTL.

There has never been a year when smoking was more discussed than in this year, 1954; but since most of the copy has been about cigarettes, it's quite appropriate that something should now be said about cigars — traditional and time-honored adjunct of paternity, politics and Groucho Marx. Ever since Sir Walter Raleigh brought over a few leaves of Virginia tobacco to Merrie England, smoking has been an expanding source of enjoyment and contentment, with the male population going big for cheroot, stogie and perfecto. These assorted and aromatic cigars have always been somewhat more costly than cigarettes since the process of sorting and rolling leaves partly or entirely by hand, is obviously more expensive than machine production of cigarettes by the billion. All of which, no doubt, gave rise to the old expression "what this country needs is a good 5c cigar." True, there are quite a few 5c items around these days but most of them are midgets, cigarillos—junior and slenderized replicas of the directors' meeting, or after dinner types.

Ira U. Cobleigh

Since, traditionally, the main preference has been for the standard size cigar, what is being done today about producing 'em for a nickel? What forward steps are being taken to make these modest priced cigars more available in a market that for one reason or another seems to have become somewhat more receptive to cigar smoking? We must give a little credit here to General Cigar Co., Inc. and for reasons we'll outline in the paragraphs that follow.

First of all, a cigar traditionally has been made up of three elements—filler, binder and wrapper. It still is. One trouble is, however, that the wrapper, composed of rolled leaves, costs a lot of money; and many leaves just a little broken off, or irregular, simply can't be used for wrapping .It isn't that these leaves, fractured or fragmented, are poor or inferior tobacco; it's just that unless they are in full panoply, they can not be effectively rolled into those sleek wrappings. This loss of use of all but the full shaped leaves has definitely tended to raise the price of finished cigars.

The management of General Cigar Co. felt that lower cost techniques could be developed — and they decided to do something about it. They delegated to Dr. William G. Frankenburg, Vice-President and Research Director, the task of developing a process that would make possible a new mild and fine flavored cigar well within the price range of the average Joe's budget. After years of testing and patient research, General Cigar Co., Inc. now offers a new approach to cigar contentment and low cost production—to wit and viz., "Homogenized Tobacco Leaf." This is quite an advance, so let's look at it.

Dr. Frankenburg tasted some 300 kinds of leaves, and then sought a catalyst that would mould them into a synthetic product that would (1) make a good binder, (2) retain natural leaf flavor and aroma, and (3) adapt itself to automation and mass production techniques so that a cigar of familiar dimensions and popular quality might continue to be offered at every man's price, 5c, even in this era of inflation. Well, it looks as though Dr. Frankenburg has succeeded, and here is how he did it.

Broken pieces of tobacco, leaves slightly frayed or irregular, tobacco flour, and stems were placed under drying machines, then ground into powder and stored in a cooler. Then this pulverized tobacco was mixed with a binding agent, poured into a machine which deployed the aromatic brew through hoppers onto a belt, on which it dried into a band or ribbon of uniform dimensions. As this new flat and ribbon-like product was propelled by the belt, it was, in due course, wound in rolls and packed, five spools to the carton, weighing totally 30 pounds. The key to the whole process is a General Cigar trade secret—a catalyst that makes possible this Homogenized Tobacco Leaf (the HTL of the title) now being turned out at the rate of over a million pounds a year in a band twice as long as the earth's circumference—50,000 miles. General Cigar does not propose to keep this dramatic new process to itself; it plans to license it to the tobacco industry both here and in other countries throughout the world. This new HTL can be fed automatically into cigar machines and represents the most important major step toward complete mechanization of cigar making since the introduction of cigar machines in 1918. Better utilization of raw materials, and notable cost reductions created by HTL are now permitting General Cigar to deliver to an eager public its new mild, naturally aromatic and highly acceptable William Penn Cigar for the same old nickel that used to buy you a subway ride, a phone call or, in the more remote past, a glass of beer! Look for a big upswing in the sales of William Penn, the first nationally advertised 5c cigar, presented originally in 1922. (The nicotine content of HTL is but a fraction of 1%).

This new boon to 5c cigar smokers is, however, but one of the many profitable facets in General Cigar Co., Inc., second largest American cigar manufacturer and purveyor of such well known brands as White Owl (10c), Van Dyck (10c) and the higher priced Robert Burns line. (White Owls have been accounting for around 60% total sales.)

Seven manufacturing plants, four tobacco processing plants, 76 warehouses and several hundred acres of Connecticut Valley farm lands for growing wrappers, comprise the production units, and provide vocations (and vacations) to over 4,000 employees.

The investor may well view General Cigar Co., Inc. as a very durable and sturdy enterprise. For example, dividends have been paid without interruption since 1909, a period which includes two world wars and three major depressions. Present indicated rate is $1.20 affording a yield of about 5.4% at current common quotation, 22½. There are 472,982 shares of common preceded by 50,000 shares of non-callable 7% preferred which sells at 127. Long term indebtedness is $5,700,000.

Cigar stocks generally are characterized more by market stability than volatility, and General Cigar has fitted into this pattern with its common in the past five years swinging between 15½ and 25. General Cigar enjoys excellent management headed up by Mr. Julius Strauss, President.

Earnings of General Cigar may dip for 1954 to around $1.90 per share as against $2.45 last year. This still affords ample coverage for present dividends, and 1955 should be better, especially when you consider the new earnings potential of HTL. The company is well heeled, with working capital around the $30 million level, and if you're balance sheet minded, the book value here is about $49 a share. People have demonstrated a propensity to smoke cigars in good times and bad, a fact which has given cigar equities some repute as defensive securities (only bad cigars are offensive!). There is also, however, some forward motion in the industry for, in the period 1951-3, cigar consumption increased by half a billion units. In 1953, 6 billion cigars were sold at a total retail price of $560 million (which includes $46½ million excise taxes and a batch of local sales taxes).

Among shares in this trade enjoying good marketability on the NYSE, GCR appears as a worthy and representative issue of proven investment merit.

COMING EVENTS

In Investment Field

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Dec. 3, 1954 (New York, N. Y.)
Security Traders Association of New York annual business meeting and election at the Bankers Club.

Dec. 13, 1954 (New York, N. Y.)
Association of Customers' Brokers annual Christmas Dinner and Quarterly Meeting at Whyte's Restaurant.

Dec. 17, 1954 (Los Angeles, Calif.)
Security-Traders Association of Los Angeles Christmas Party at Hotel Statler.

Mar. 11, 1955 (New York, N. Y.)
New York Security Dealers Association 29th Annual Dinner at the Biltmore Hotel.

May 8-10, 1955 (New York City)
National Federation of Financial Analysts Societies at the Hotel Commodore.

Sept. 11-14, 1955 (Mackinac Island, Mich.)
National Security Traders Association annual convention.

Unique Financing Project —Tax-Exempts for a Fair Ground—

By A. WILFRED MAY

MIAMI, FLORIDA, NOV. 16— Unfolded here this week stands a venture unique in the area of bond financing. For it embraces the tieing-up of a publicly-offered tax exempt revenue bond to a "colossal" World Fair type operation.

A. Wilfred May

Harry A. McDonald

The project, culmination of a long-time dream of an *International Culture and Trade Center* to be erected on an 1800-acre Biscayne Bay site 11 miles north of Miami proper, will be one part trade exhibit—displaying thousands of products, inventions and designs possessing consumer interest within the Western Hemisphere. Also will it be one part beauty —"keyed to the exotic, sub-tropical atmosphere of Florida," and including landscaping, sunken gardens and a canal system running through the grounds, by which it will be possible to journey through the Center by automatically-controlled boats. And finally—and surely indispensable to the garnering of sufficient paid attendance—will it comprise entertainment combining "super-Broadway entertainment spectacles" with "flamboyant pagentry."

Surpassing in size and architectural modernity the Chicago and New York World Fairs, the Center project here offers as its basic purpose the expansion and interpretation of economic relations between the nations of the Western Hemisphere.

This lofty concept and purpose have received the official endorsement of the United States Congress, which as long ago as September, 1950 adopted a joint resolution stating "there exists a prime necessity for a permanent year-round, non-profit, self-sustaining enterprise for the development of improved relations and trade with the Republics of Latin America"; and the blessing of President Truman, who issued a proclamation on Jan. 30, 1952, calling on officials and agencies of the Federal Government to cooperate with and assist the Center.

That Little Detail of Raising The Money

In furtherance of these lofty aims; and, on a more material level, following the bringing in of a favorable earnings report after a thorough on-the-spot investigation by the engineering, construction, and business consulting firm of Ebasco Services, Lehman Brothers have agreed to act as managers and underwriters of the needed bond financing; with Van Alstyne, Noel & Co. as co-managers. The Lehman firm is actively represented here by William McGill of their municipal bond department.

That Tax-Exemption Sweetener

Decisive for the success of the financing, and typically so, will be its enjoyment of exemption from Federal income taxation, which is presumably provided by the Act passed by the Florida State Legislature creating the Inter-American Center Authority as administering agency of the State ("The Inter-American Center Authority which is hereby created and constituted an agency of the State of Florida shall be a public corporation having all the usual and ordinary corporate powers" —Sec. 25, Ch. 26614, No. 135, House Bill No. 412).

To raise the $60 million required, both a prior-lien-on-earnings A and a deferred-lien B bond, will probably be used—akin to the Mackinac Island Bridge Revenue Bond setup. In the present instance the B issue might amount to $15 million, and the A bond $45 million, with the former being used first for clearing and construction purposes.

While the interest rate and other terms are matters for future determination, it can be said now that the annual interest and service charges will take about $4 million; and the "B" tranche, in addition to a higher coupon, will enjoy a high call price. So the bondholder will at least in this instance, where there is some speculative risk entailed, gain his just privilege of freedom from the full abuse of the "heads-you-win-tails-I-lose" debtor's call option.

Since the bonds must be validated by the State Courts by March, 1955, and Lehman Brothers are subjected to a 90-day deadline after such validation, the issue should come to the market during the first half of next year.

There will be no equity capital, all of the net income going to the State; to be used by it for bond-calling, ploughing - back and/or expansion. The ultimate form of indenture may provide for the allocation of earnings between these three channels to be determined by an outside engineering firm.

Tax Exemption Providing the "Venture" Profit

The prospective "B" bond is referred to as "venture capital" here; the venture attribute apparently being derived from the comparatively high net income realizable by the upper-bracket holders.

In operation, much of the venturing capital will no doubt be

derived from large businesses concerned with the development's area — as hotels, airlines, and bus companies; with their profits accruing in the form of increased business.

H. A. McDonald the Mainspring

A twin facet of authenticity, along with the identity of the prospective underwriters is conferred on the project by the important participation of Harry A. McDonald, former Chairman of the SEC and of the Reconstruction Finance Corporation, who is now acting as the Authority's fiscal agent, and will be the first Managing Director of the Center.

It was while he headed the RFC that Mr. McDonald first heard about the scheme in 1952. He then advised the would-be borrowers that it was something for private bankers—particularly with alterations in the set-up, which have since been made under his guidance.

* * *

Surely this deal merits the deepest interest in its unique set-up as well as in the subsequent course of its success!

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The progress of total industrial output in the period ended on Wednesday of last week expanded further, and at a rate that appeared to be somewhat greater-than-seasonal. However, compared with the similar week a year ago, production registered a 2% decline.

Continued claims for unemployment insurance benefits reached the lowest point of the year in the week ended Oct. 23 and were practically unchanged from the prior week but 73% higher than a year ago. Initial claims in the week ended Oct. 30 had a weekly decline and were closer to last year's level than at any previous time in 1954; they were 6% below a week ago and 9% above last year. New employment was reported in the primary metals, apparel, electrical equipment and construction industries.

Unemployment, which showed a sharp decline between early September and early October, gives indications of having fallen further since then. New claims for jobless pay filed in the various states last month are reported at 1,055,000. That's down nearly 40% from the high point last January. A spot check of key industrial centers finds payrolls have expanded at many factories in recent weeks.

The spectacular rise in steel production still shows no sign of leveling off, states "The Iron Age," national metalworking weekly, this week.

This week's rate, another new high for the year, marks the eleventh consecutive week the industry's output has increased. Within the past three months steel production has zoomed more than 31%.

Most steel producers expected an improvement in their business, but they were not prepared for the rush of orders which has in some cases buried their clerical staffs under an avalanche of paper work. At least one mill, says this trade authority is known to have turned down substantial orders for February delivery of cold-rolled sheets. The mill is reserving some space for old customers who are slow in ordering. Otherwise, it is booked up.

Despite record production schedules for the rest of this year, the large auto companies are holding back on commitments for 1955. The rush of orders for first quarter delivery is largely by small and medium sized firms who are alarmed by the tightening market and want to make sure their orders are on the books, declares this trade weekly.

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Security Ownership and American Securities

By WALTER MAYNARD*
Senior Partner, Shearson, Hammill & Company
Member of the New York Stock Exchange

Mr. Maynard, after pointing out that common stocks are extremely sensitive to events affecting all sectors of the economy, reviews the history of stock market fluctuations from 1910, and discusses near-at-hand economic incidents that may affect the stock market and the investment opportunities that are offered. Focuses attention on securities of specific companies, and concludes that security ownership can be highly rewarding, and that America's future is a brilliant one.


Walter Maynard

We are here to talk about securities, and particularly about the most volatile, risky, and rewarding type of securities — common stocks. Common stocks differ from other types of property in that we are constantly made aware of their prices, through the press, and these prices constantly fluctuate. In reality these fluctuations over short periods of time are unimportant; what is important is that a common stock is merely an almost unenforceable residual claim on the rewards of creative enterprise after all other claimants have been satisfied—the tax-gatherer, labor, management and holders of prior obligations. Therefore, the ultimate value of common stocks is extremely sensitive to events affecting all of these sectors. For this reason a real evaluation of the future of common stocks requires a broad-gauged look at our whole society, and that is what we are going to attempt in birdseye fashion.

First, however, to obtain a little perspective for our forecasts, a review of some events in recent economic history might be useful. Such a review will illustrate some of the principles to be applied in making forecasts and will justify the diffidence with which any forecast is made.

First, to make ourselves properly diffident, let us put ourselves in the position in which we stood in 1910. I don't think that there was anyone at that time, viewing our small, unstable, European-financed economy, who could possibly have predicted that in only 30 years we would fight two world wars, bloodier and costlier than any wars in history, suffer one of the most severe economic convulsions ever recorded in a modern state, and finally emerge from these wars and disasters richer and more populous than ever, the world's leader, both in a moral and material sense.

But let us assume that we were able in 1910 to form some idea of things to come, and let us next place ourselves in 1927. No one in that year foresaw that within five years this country, and the world, would see a golden era (illusory) and then unimagined disaster. First there was a great boom, concentrating in the stock market, sufficient to excite the folly and greed of a large part of our total population. This mania for stocks carried the Standard & Poor's Index of industrial stocks from a low of 94 in 1927 to a high of 197 in 1929, an advance at the rate of 55% a year! Once the bubble broke, the pressure on our banking system brought about by the liquidation of this tremendous speculation plus other speculations, particularly in real estate, which accompanied it, resulted in the ultimate financial disaster—the closing of all the banks in 1933—and the stock index fell to 29, less than one-sixth of the high reached three years earlier.

In our perspective-seeking review we should next place ourselves in early 1937 to look at what is in many respects the most unbelievable episode of all—the depression of 1938 — created almost entirely as the result of the direct and indirect effects of unwise government action. From the low point of 1932 industrial production in this country had struggled forward under many handicaps, such as the NRA and one-sided labor legislation, from a low of about 58 in the Federal Reserve Board Index to 113, a level which was a new high record in this country, but one which nevertheless, in the opinion of many qualified observers, was far below what we were capable of achieving. For one thing, about 10% of the labor force was still unemployed. The monetary authorities decided at that time that the upward forces in business were in danger of getting out of hand, and a severe program of credit restriction was inaugurated.

Simultaneously, the Administration proposed, and Congress passed, a piece of doctrinaire legislation that proved disastrous—the Undistributed Surplus Profits Tax Act. This tax was a heavy penalty on that part of corporate earnings which was not paid out in dividends. Some of the advocates of this bill deliberately wished to weaken corporations, some felt that spending for consumption was the answer to the problem of unemployment, and I am afraid that some of the Marx-tinted supporters of the bill knew exactly how destructive it was and advocated it as a means of preparing the way for the collective state. The effect of the tax was to force much higher dividend distributions and a corresponding wholesale cancellation of the expansion plans which the retained earnings would have financed, had they not been paid to stockholders. Retained earnings are the most dynamic form of equity capital.

As a consequence these two actions — overly severe monetary restraint and the introduction of a disastrously unwise taxation principle—a business setback ensued which was actually the fastest decline on record—the FRB Index fell from 85 (new basis) to 43 in only nine months. Improvement set in, in the latter part of 1938, not because of any action by our government, but rather because the British, following the Munich humiliation, placed in this country extremely large orders for all types of armament. In retrospect, the folly and naivete of our government's attempts at economic intervention is almost unbelievable.

At this point we have had examples of two of the greatest risks which our economy, and therefore the general price level of securities, continuously faces. The first of these is public overspeculation, which brought disaster in 1929, and the second is the influence of government, which again created disaster from a relatively sound situation in 1938. Government has acted unwisely from time to time since, the most recent example being the current attempt to regulate sales of natural gas at the well-head.

Near-at-Hand Economic Incidents

Proceeding with our thumbnail history, we come to two nearer-at-hand economic incidents, the principal manifestations of which were in the stock market itself. The first of these was the mild recession of 1949 when the rate of business activity declined about 7%; the second was the recession which culminated this year which also produced a setback in business activity from high to low of about 7%. In both of these recessions, or in anticipation of them, stock prices fell heavily, and as the outcome proved, unwarrant-

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*An address by Mr. Maynard at an informational banquet held at Eugene, Oregon in the offices of J. Henry Helser and Company, Investment Managers, Nov. 9, 1954.

The Road Ahead in Business

By NICHOLAS E. PETERSON*
Vice-President, First National Bank of Boston

After reciting recent developments in the recovery from the low point in the recession, Boston bank executive states that though business is on upgrade, it is possible that it may lack steam to carry the momentum through the year. Says indications are that business for the next year may range somewhere between 1953 and 1954. Holds, while nation is shifting from a super-boom, there are strong underlying forces of growth that will manifest themselves. Gives long range outlook for the pharmaceutical industry in which certain factors of growth and expansion are evident.

Business is better. The low point of the recession was apparently reached last spring, followed by a period of relative stability. Since August, there have been indications of a broad but gradual upturn.


Nicholas E. Peterson

Some data are so slow in being reported that in many instances there is a lag of two or three months between performance for the month and a record of what had taken place. Consequently, a trend can be under way for some time before it is generally known. A case in point is that of new durable goods orders to manufacturers, which for September were reported only about a week ago. These orders showed a gain of 16% over July, and were at the highest level in over a year. This is in sharp contrast with the trend in 1953 when new orders for durable goods dropped 23% between May and September. The recent upturn in factory orders is encouraging as it signifies more work and payrolls, and also expresses business confidence. Consumer instalment credit has advanced for six consecutive months. The trend of consumer credit is considered to be a good indicator of consumer confidence, and also a measure of his willingness to pledge future income to meet current needs.

During the past year, inventories have been depleted at the annual rate of $4 billion, but are now leveling off. In some lines, inventories are on a fairly normal basis. When accumulation replaces liquidation, inventories will be stimulating instead of a drag on the economy. Another factor that contributed to the business decline was the reduction in defense expenditures of $2.7 billion for the first nine months as compared with a year ago. The low point of defense spending was reached in the third quarter. Since then there has been a moderate upturn, and further gains are expected. Expenditures by state and local governments in 1955 may show a small increase. Consumer expenditures next year are expected to rise moderately to a new high record.

Another encouraging feature is the latest report on business spending for plant and equipment. According to the McGraw-Hill nation-wide survey of prospective plant and equipment spending, preliminary data indicate that the outlays for industrial and commercial facilities in 1955 will be above those of the $26 billion annual rate estimated for the fourth quarter of this year. Should this materialize, it would be significant since the over-all industrial production has followed the same trend as expenditures for plant and equipment during the entire peacetime period of the last quarter of a century.

Perhaps some clue to the future trend of business may be had from a consideration of the outlook for the three basic industries—steel, automobile, and building.

Steel mill activity has been rising for the past two months, but it is expected that it will level off at around 75% of capacity, which if it eventuated would make the production rate for the last three months of the year 15% above that of the third quarter. The trade expects that steel operations in 1955 will be somewhat better than this year.

Automobile production has been sharply curtailed in order to clear the decks of 1954 cars and pave the way for the introduction of new models. Dealers' stocks of new 1954 cars as of Oct. 1, were down to around 305,000 units or the lowest level since September, 1952. Dealers, at the start of the model change-over period, are reported to be in the strongest position in many years. It is estimated that sales of new cars in 1955 may show an increase of 5% over this year.

The construction industry continues to set new high records. Because of its many ramifications, several segments of the economy, including utilities, household goods, and appliances, are strongly stimulated by the construction boom. Expenditures for new construction put in place in October are estimated at $3.5 billion, bringing the total for the first ten months to $30.8 billion, or 4% above the same period of last year. The sharp rise in contract awards for September would indicate that at least the immediate future outlook for the building industry is promising.

Will Recovery Be Abortive?

While indications are that business is on the upgrade, it is possible that it may lack the steam to carry the momentum through the year. The President's Economic Advisers admit the possibility that the recovery may be "abortive," but point out that the government stands ready to provide a "nudge." The Eisenhower Administration is now definitely committed to take the necessary steps to maintain prosperous conditions. This was indicated by Dr. Burns, the economic spokesman for the Administration, in a recent speech when he said that the core of government economic policy is that ". . . the government cannot stand aloof from the private economy, but must be ready to take vigorous steps to help maintain a stable prosperity." Dr. Burns went on to say that it wasn't a question of the need of controlling business cycles but ". . . rather the nature of governmental action, its timing and its extent." The Administration has apparently accepted the responsibility that the business tide must be upward, but without inflation.

The course of business and the Federal economic policy will not be upset nor changed by the election, since instead of a sweep for the Democrats as some authorities predicted, it was relatively close. Business reaction to the mid-term election was one of relief. This was reflected by a spectacular gain by the stock marekt on the day after the voters had cast their ballots. It is too early to appraise the longer-range influence of the Democratic control of Congress. In the event of a renewed slackening in business, there will likely be more pressure applied to adopt governmental measures such as increased spending for defense and public works in order to cushion the deflationary forces or to provide business stimulation.

Indications are that business for the next year may range somewhere between 1953 and 1954. On an over-all basis, the national product may show a gain of 2 to 5%. In other words, it should be a good year but not a super one. Competition will be rugged.

Nation Shifting from a Super-Boom

Fundamentally, the country is shifting from a super-boom stimulated by a huge pent-up postwar demand to a more normal period based more largely upon replacements. Following a period of transition, there are strong underlying forces of growth that will manifest themselves. These include pressure of population growth, including the great mobility of our people, congested highways, migration of industries, and technological developments. If we can maintain our economy on a sound fiscal basis, there lies beyond in the latter part of the 1950's and 1960's — barring, of course, no worsening in the international situation—another period of great dynamic development.

Prospects for the Drug Industry

The drug industry constitutes an important segment of our economy. Total sales in 1953 amounted to $4.8 billion, or 2.8% of the total amount of money spent in retail trade. Its proportion of the total in 1946 was 3.5%. The reasons for this declining share were the sharp drop in drug prices and the tremendous increase in sales of durable goods, such as automobiles, household goods, and appliances, and the like, whose production was stopped or curtailed during the war. For the first eight months, sales of drugs showed an increase of 2.6% over the same period of last year, whereas total sales of retail trade in the country for the same period showed a decline of 1.8%.

Like other lines, the drug industry has its problems. Competition is keen because of the rapid expansion and overproduction in the industry. This has been reflected in a sharp drop in prices. From 1947 to September, 1954, the index of drug and pharmaceutical products declined by more than 50%, whereas general wholesale prices showed a gain of 14%. It is expected that most of the adjustments have been made and that conditions will become more stabilized. During the war period, largely because of the absence of German competition, the American pharmaceutical industry emerged as an important factor in world trade. Exports of medicinal and pharmaceutical preparations rose from about $22 million in 1939 to over $281 million in 1951, or a fourteen-fold increase. Since then there has been a decline, with exports in 1953 at less than $217 million. This represents a drop of nearly 23% during which period total American exports showed a gain of over 6%.

The reason for the decline in drug exports is the restriction on export licenses by the United States Government and the resurgence of foreign competition, which will likely cut down the American share of world markets, although our drug industry will continue to be a dominating factor. Another problem faced is the risk of obsolescence of products due to great scientific develop-

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*An address by Mr. Peterson before the Financial Section of the American Drug Manufacturers Association, White Sulphur Springs, West Virginia, Nov. 12, 1954.

From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent sits in the gallery of the great United States Senate and marvels at the struggle that is taking place, not over a momentous issue of war or peace, not over such an important matter as whether taxes should be raised or lowered, but over the political life of one Senator, Joe McCarthy.


Carlisle Bargeron

It is at once an amazing and a disgusting spectacle. Yet it is fascinating, a man with his back to the wall with the pack yelping and nipping at his heels but uncertain as to whether to move in for the kill.

There are a lot of lamentations from some Eastern newspaper and magazine editors about how the spectacle is costing us in world respect, in world leadership. There is, indeed, a terrible fear among them that foreign peoples will cease accepting our aid. But these gentlemen should do some soul searching. The responsibility for what is happening is theirs.

I have repeatedly said that it would be all right with me if I had never heard of Joe McCarthy. I am convinced that one more hiss from his throat about how those who do not agree with him in every respect are "soft on Communists" or "unwitting handmaidens of Communists" will cause me to burst. However, he did not seek the stature which has been bestowed upon him by the propaganda of these Eastern editors and writers and commentators; but having it forced upon him he has come to relish it, and to believe in it. He is now unquestionably way up in the air; in such a high state, in fact, that he is intolerable to his colleagues in the Senate and will brook no counsel from his friends. He is dedicated to a task which, he has come honestly to believe, may cause him to ascend into Heaven, like Elijah, in a whisk of smoke.

This being the situation, he being so wrong and his enemies being so wrong, what is fascinating to me is the fight he is making. And aside from seeking to protect his own neck, he is currently serving to hold the pack back from Nixon, Dirksen and others whose scalps the Lefists want.

It must be remembered that the Eastern or Dewey counsellors of Eisenhower were telling him back in the Presidential campaign of 1952 that the thing he must do to show that he was a "liberal" entitled to Eastern "liberal" votes was to denounce McCarthy. At that time McCarthy was dramatizing for the Republicans a very legitimate issue: that of the Democrats having coddled Communists. There is not the slightest doubt they did that.

In 1950, when McCarthy made his charges, before the Tydings Committee, of the State Department being laden with Communists, it is a fact that he didn't know specifically what he was talking about. The charges had been made by others; he didn't see why he shouldn't repeat them.

It was a matter of destiny with him that when he made the charges he should be made famous overnight. It is a fact that whereas every one, or practically every one of those charges were old ones, charges made before by Senate and House investigating committees, he succeeded in cleaning out the State Department when the various investigating committees had failed.

You would have thought then that when the Eisenhower Administration came in, after having cashed in on the charges of Communist coddling on the part of the Democrats, McCarthy would have been the fair-haired boy.

But no, there was this Eastern-Dewey influence in White House counsels still insisting that a way for Eisenhower to be "liberal" was to "do something" to McCarthy. This is what the White House tried to do. The result is that although he has come to be tremendously annoying and you wish you would never hear of him again, he is, in his own style, fighting like nobody's business and giving his opponents the fight of their lives.

To my mind, he has made a fool out of the hitherto unknown Senator Watkins of Utah, regardless of how conscientious he may be supposed to be. Out of Senatorial oblivion this man had the spotlight thrown on him. And of the many charges, irresponsible and otherwise, which were before him against McCarthy, he picked out two of the most ridiculous ones, to my mind, because for the first time he had read in the newspapers that he was a very "firm" man, a man who would not let McCarthy run over him, and who unconsciously, felt he had to live up to the billing.

Australian Bonds To Be Underwritten by Morgan Stanley Group

NEW YORK, N. Y.—Sir Percy Spender, Australian Ambassador to the United States, announced here Nov. 17 that the Commonwealth of Australia expects to file with the Securities and Exchange Commission shortly a registration statement covering $25,000,000 of 15-year bonds. There will be a sinking fund sufficient to retire 50% of the issue prior to maturity.

The public offering of the issue will be underwritten by a group of investment banking firms headed by Morgan Stanley & Co. and is expected to be made about Dec. 8, 1954.

The proceeds of this issue together with other funds from the Commonwealth treasury will be used to retire $29,631,000 of Australian 5% bonds due July 15, 1955 which are being called for redemption on Jan. 15, 1955.

The proposed financing will constitute the first offering to the public by a foreign government in the United States market since 1947 except for Canadian issues. The Commonwealth proposes to accept the 5s in payment for the new issue.

A. G. Edwards Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Allen T. Brooks has been added to the staff of A. G. Edwards & Sons, 409 North Eight Street, members of the New York and Midwest Stock Exchanges.

Brief Statement Regarding The Amended SEC Acts

By J. SINCLAIR ARMSTRONG*

Commissioner, Securities and Exchange Commission

Commissioner Armstrong describes the salient changes made in the recent amendments to the Federal Securities Acts. Explains the amendments relating to the use of the short-form summary prospectus, and refers to the State securities laws. Calls for continued cooperation of State securities commissions and the Investment Bankers Association, particularly in aiding the distribution of information to small businesses regarding the techniques of preparing and offering circulars and complying with Regulation A.

On August 10, 1954, President Eisenhower signed into law the Administration's bill to amend the Federal securities acts. The amendment (P. L. 577, 83d Cong., 2d Sess.) went into effect on Oct. 10.


J. Sinclair Armstrong

The bill had been passed unanimously in both the Senate and the House.

The act represents the first amendments of the securities acts in many years. Many previous efforts to improve the acts over the past 13 years proved abortive. A year of intensive work by the Senate Banking and Currency Committee and the House Interstate and Foreign Commerce Committee, advised and assisted by the SEC, went into this legislation.

An important provision of the amended law will permit wider use of offering prospectuses for new issues of registered securities, particularly short-form summary prospectuses, during the so-called waiting period after the registration statement has been filed with the SEC but before it has become effective. Normally this period has averaged about 20 days. The SEC is presently studying the problems involved with a view to drafting rules to implement this provision of the new law. Information will be more readily available to the investor before he actually buys the securities. I will discuss this in more detail further below.

The amendments also permit greater use of newspaper advertisements during the waiting period. This should make it easier for small investors all over the country to invest in new issues of securities, whose distribution has up to now tended to be concentrated in a few cities having large capital markets.

Other provisions of the new law:

(1) Reduce from one year to 40 days after distribution of a new issue of securities has been commenced the period during which dealers must deliver prospectuses in trading transactions;

(2) Simplify the information required in a prospectus used in an offering that lasts more than 13 months;

(3) Reduce from six months to 30 days after distribution of a new issue has been completed the time when a dealer can extend a customer credit on the new securities;

(4) Clarify the SEC's rule-making authority on "when-issued" trading;

(5) Eliminate from prospectuses summaries of certain trust indenture provisions which have heretofore been required, thus permitting simplified, more readable prospectuses for debt issues; and

(6) Provide simplified procedures for registration of securities of investment companies, the so-called "mutual funds."

*An address by Commissioner Armstrong before the Denver chapter of the Investment Bankers Association of America, Denver, Colorado, Nov. 10, 1954.

Amendment Regarding Use of Prospectus

I would like to discuss in a little more detail the amendment which I referred to a few moments ago designed to permit wider use of offering prospectuses for new issues of registered securities, particularly short-form summary prospectuses, during the waiting period. You have all been aware, I am sure, over the years of the apparent anomaly in permitting the distribution of "red herring" prospectuses, which purport to give information about the security to be offered but not to constitute an offer in the technical legal sense.

One of the original purposes of the Securities Act when it was framed in 1933 was to provide a period after the registration statement had been filed with the SEC and before it became effective during which prospective investors could become familiar with the pertinent facts relating to the issuer and the underwriting. It was in furtherance of this objective of disseminating information about the issuer and underwriter during the waiting period that the "red herring" prospectus mechanism and, more recently, the short-form identifying statement were devised. The 1954 amendment to the Federal law was intended to give a firmer statutory basis for this pre-effective dissemination of information and to give the Commission greater flexibility in permitting summaries and condensations of the pertinent material set forth in full in the Federal registration statement.

The amendment in no way affects the legal provisions which have existed up to now by which the full statutory prospectus must be furnished at the time the sale (as distinguished from the mere offer) is consummated.

I would like to stress, with as great an emphasis as I can put on it, the fact that the 1954 amendment does not permit the pre-effective use of sales literature which has not been filed with the Commission and processed by the staff. We have been disturbed in the past several weeks since the amendment became law because in several instances issuers and underwriters have sent out unprocessed sales literature prior to effectiveness.

The amended law was not intended to permit pre-effective "free writing." This was a subject briefed by industry representatives and thoroughly discussed with the Commission when we were serving as advisor and consultant to the Senate Banking and Currency Committee and the House Interstate and Foreign Commerce Committee in connection with formulation of the bill. The proposal of industry representatives that the Securities Act of 1933 be amended to permit pre-effective free writing was rejected. A study of the testimony given both by Chairman Demmler of our Commission and various representatives of industry groups will, I think, clearly reflect that there was no misunderstanding on the part either of the Commission or industry that pre-effective free writing was not intended to be permitted in the future any more than it has been in the past. (Hearings before a Subcommittee of the Committee on Banking and Currency, U. S. Senate, Feb. 3 and 4, 1954, pp. 8, 31; Hearings before the Interstate and Foreign Commerce Committee, House of Representatives, March 19, 1954, pp. 24, 39, 52, 117.)

When the executive committee, the conference committee, the chairman of all the national committees, and the general counsel of the IBA met in Washington with the Commission on Oct. 14, this was discussed and we are advised various industry representatives will submit suggestions in connection with our proposed rules to implement this provision of the amended law.

The Short-Form Summary Prospectuses

The Chairman of your Federal Legislation Committee asked whether the Commission would take administrative steps to assure that the short-form summary prospectuses intended for pre-effective use would be quickly processed by the staff so that they could be sent out to underwriters and dealers in the field promptly after filing. Such prompt administrative action on short-form prospectuses would contrast with the administrative handling of "red herrings" the examination of which by the staff has usually not been completed until the 12th day in the 20-day registration period. We assured your committees that every effort will be made administratively to process the summary prospectuses promptly after filing. However, I think you should realize that the flow of business into our Division of Corporation Finance is not anything we can control, and our staff is limited in number. At some times each year, particularly from Feb. through May, our staff is under time pressure because of the proxy season. However, our intentions in this regard are of the best as we are entirely in sympathy with the purpose of the amendment to foster broader dissemination of information about forthcoming issues during the waiting period.

As pointed out in the report of the Committee on Interstate and Foreign Commerce of the House of Representatives, the amendment will conform the statute to the present practice, encourage greater dissemination of information by relieving underwriters and dealers of fears connected with pre-effective distribution of written material, will make possible dissemination of more accurate information to the investor than he now generally receives, will not take away any of the protection heretofore afforded investors by the Securities Act of 1933, and will not change the liabilities for statements made or not made in the registration statement and prospectus. (House of Representatives, 83d Cong., 2d Sess., Report No. 1542.)

The New SEC Act and the State Securities Laws

Looking at these amendments from the standpoint of the State securities laws, we have made a careful study of possible conflicts with the State laws. Basically, our conviction is that to the extent "red herrings" and identifying statements were permissible under State legislation during the waiting period, there should be no difficulty in, and, indeed, the States in all likelihood should welcome, the use of the prospectuses and summary prospectuses which will be permissible under the revised Federal law.

It appears that 37 States have securities laws which provide for the registration of securities and prohibit both offers and sales prior to the effective date of registration. Notwithstanding the prohibition against pre-effective offers (as distinguished from sales) of securities, many State Securities Commissions have provided administratively for the dissemination of information prior to the effective date of registration.

To the extent that any problems may arise, it is hoped that they can be worked out through administrative cooperation without the States finding it necessary to amend their laws. I assure you that the SEC has every desire to, and will to the best of its ability, cooperate with State authorities in working out a practical solution of any problems which may arise in this field.

Before I close, if you will bear with me I want to mention one other matter in which the Commission and the IBA are both concerned. You will recall that the subject of the raising of equity capital for small business was considered by the Congress last year. A proposal to increase the exemptive amount under Section 3 (b) of the Securities Act from $300,000 to $500,000 was introduced, but deleted from the amending legislation before it was finally enacted. The Small Business Administration is vitally concerned with this problem. The feeling has been expressed informally that many loan applications for comparatively small amounts of money should perhaps not be for loans at all, but rather what is needed is equity capital.

Recently, the Small Business Administration has established working liaison with the IBA and your Association has formed a Small Business Committee. At the SEC, we are cooperating with the Small Business Administration, hoping to use their facilities in over 200 offices of theirs throughout the country to distribute information about the techniques of preparing an offering circular and complying with Regulation A. We think these techniques should be as simple as possible, and we hope we can dispel the ignorance and fear that may exist around the country when anybody thinks of getting a small issue cleared with the SEC. Your cooperation, and that of the IBA in this area, will contribute greatly to the important process of capital formation in the field of small business.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Map and Glossary—Literature—Atomic Development Securities Company, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Atoms in Business—Selected companies which have a foothold in the field of atomics—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is a circular on **O'Sullivan Rubber Corporation.**

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 21 West 44th Street, New York 36, N. Y.

Chemical Fertilizer Industry—Analysis in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan.

Earnings Performance and Dividend Payments of Japanese Companies—In current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Over-the-Counter Stocks — Circular on 17 issues—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Rails—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

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American Cyanamid Company—Analysis—Ferris & Company, Washington Building, Washington 5, D. C.

American Pipe & Construction Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Aztec Oil & Gas—Data—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Rochester Telephone** and **Hazel Bishop.**

Canadian Superior Oil of California—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Carborundum — Bulletin — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Central Explorers Ltd.—Memorandum—Reich & Co., 39 Broadway, New York 6, N. Y.

Chemical Corn Exchange Bank of New York — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Chrysler Corp.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Circle Wire & Cable Corp.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Continental Can Co., Inc.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin is a review of **New Britain Machine Co.** Also available is a memorandum on **Wallace & Tiernan, Inc.**

Continental Casualty Co.—Memorandum—William Blair & Co., 135 South La Salle Street, Chicago 3, Ill.

Froedtert Corporation—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Harnischfeger Corporation—Report—Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

International Utilities Corporation—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto Ont., Canada.

Kewanee Oil Co.—Report—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a bulletin on **Chemical Products Corporation.**

Lamson & Sessions Co.—Bulletin—Frank C. Masterson & Co., 64 Wall Street, New York 5, N. Y.

Libbey-Owens-Ford Glass Company — Analysis — In current issue of "Gleanings" — Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a list of **Growth Stocks** and lower quality **Railroad Bonds.**

Louisville & Nashville Railroad Company—Bulletin (No. 181) —Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Michigan National Bank—Memorandum—Blair & Co., 44 Wall Street, New York 5, N. Y.

Ohio Edison Co.—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

O'Sullivan Rubber Corporation—Circular—C. F. Cassell & Co., Inc., 114 Third Street, N. E., Charlottesville, Va.

Pacific Indemnity Company—Study—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Pennsylvania Railroad—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Public Service of New Hampshire—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Riverside Cement — Analysis — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Texas Gas Transmission Corp. — Card Memorandum — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Texas Industries—Bulletin—Walston & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Emhart Manufacturing.**

Unilever N. V. — Memorandum—Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

United Merchants & Manufacturers, Inc. — Memorandum — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

NSTA Notes

BALTIMORE SECURITY TRADERS ASSOCIATION

The annual Business Meeting of the Baltimore Security Traders Association will be held at the Park Plaza on Dec. 3 at 5:30 p.m.

The Nominating Committee composed of J. Wilmer Butler, Baker, Watts & Co., Chairman, and Charles A. Bodie, Stein Bros.


Wm. C. Roberts, Jr.


Joseph G. Strohmer


Harry J. Niemeyer

& Boyce, Alison M. Berry, Robert Garrett & Sons, Leo Kriegel, and Bernard E. Eberwein, Alex. Brown & Sons, submitted the following slate:

President—William S. Roberts, Jr., C. T. Williams & Co.

Vice-President—Joseph G. Strohmer, John C. Legg & Co.

Secretary—Chester N. Martin, Kidder, Peabody & Co.

Treasurer—Harry J. Niemeyer, Robert Garrett & Sons.

Board of Governors: (3-year Term, Expiring 1957)—**Howard** L. Kellerman, Alex. Brown & Sons; Preston A. Taylor, Mead, Miller & Co.

The Entertainment Committee has arranged a Free Dinner and Beer Party for this meeting, and requests that members notify them promptly whether they plan to attend.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association will hold their annual business meeting and election of officers on Friday, Dec. 3, at 5 p.m., at the Bankers Club.

Minneapolis Assoc. Add

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Ada S. Jallo, Edmund M. Rooney and Richard H. Yetka have become connected with Minneapolis Associates, Inc., Rand Tower.

Two With Mercantile Trust

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Edward H. Nesbitt and Henry N. Schweppe have become affiliated with Mercantile Trust Company, 721 Locust Street.

Joins Scherck, Richter

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Sam D. Gianino is now with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Milton E. Prevost has become connected with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Hubert Atwater With Wood, Walker & Co.


Hubert F. Atwater

Hubert F. Atwater has become associated with Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange. Mr. Atwater was formerly with Gammack & Co., and prior thereto with J. G. White & Company, Inc.

Oscar Dooly Opens Over-Counter Dept.

MIAMI, Fla.—Oscar E. Dooly & Co., Ingraham Building, announce the opening of a new over-the-counter trading department in charge of Bernard R. Keegan. Mr. Keegan for the past 17 years has been a trader with Hickey & Co., of Chicago.

The new department will offer individuals, banks and brokers a complete brokerage service in unlisted securities, municipals and special situations, both local and national.

Charles E. Doyle With Hoppin Bros. & Co.

Charles E. Doyle has become associated with Hoppin Bros & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

John H. Lewis Co. to Admit B. B. Griffith

John H. Lewis & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, on Dec. 1 will admit Ben Barret Griffith of Colorado Springs to partnership in their firm.

Two With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif — Joseph J. Geraldine and Edgar J. Krogman have become affiliated with Daniel D. Weston & Co., 118 South Beverly Drive.

Standard Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Louis Fine has become connected with Standard Investment Co. of California, 721 East Union Street.

Joins Neal Kellogg

(Special to THE FINANCIAL CHRONICLE)

WOODLAND, Calif. — Charles R. Renner is now with Neal Kellogg, 607 North Street.

Petrochemical Growth: Will It Affect Oil and Gas Production?

By T. G. HUGHES*

President, Oronite Chemical Company, San Francisco, California

Mr. Hughes reviews the rapid strides in the petrochemical industry since its beginning in 1920, and points out the possibilities of further development. Lists as vital factors in selecting a chemical plant location: (1) low costs; (2) long-range raw material supplies; (3) market accessibility; and (4) local considerations, such as labor, utilities and land costs. Points out industrial oil producers will find the petrochemical industry a good customer, but adds that the volume of petroleum consumed in their output is too small to have a significant effect on oil or gas consumption.

In recent months I feel certain that you have all been hearing and reading a great deal about the swift and widespread expansion of one of this country's new industries—the petrochemical industry. The name itself—coined by some enterprising ad man—has a fine ring of promise. It connotes the mating of two great industries—petroleum and chemical—to give birth to a wholly new realm of enterprise.

From its beginning in the 1920's the petrochemical industry has grown to a business with an investment of some $3 billion. One hundred seventy-six companies are operating, or have planned, 322 plants in the United States and Canada. Of these 62 are petroleum companies, 102 are chemical companies, and 12 are joint ventures. Investment houses, a good barometer, consider petrochemicals one of the best growth industries with good future returns promised in relation to the risk.

With all of this in mind, you might conclude that petrochemicals bid fair to alter the traditional markets for crude oil and gas. You might even say it's beginning to look as though the petrochemicals tail, before too long, will be wagging the petroleum dog. If that's *really* the case, it should have a significant effect on the oil and gas producing industries. But let's take a closer, more critical look at our petrochemicals tail and see just *how* strong it is, how influential it figures to become.

First of all, what makes petrochemicals so attractive to investors and, of course, in their final forms, to consumers? Taking a few of the more outstanding examples, consider first the synthetic detergents. This industry, you will recall, had its big start immediately following World War II when the base material now used in practically all of the synthetic detergents was developed from petroleum. The excellent cleaning ability of the products, and particularly their resistance to hard water—no soap scum—give them rapid acceptance by the housewives. Fig. 1 [Omitted—Ed.] shows the history of their rise in popularity.

The first products, you may remember, were used primarily for washing dishes. In 1948-1949 the soap companies developed special formulations that extended their use to the washing-machine field, so that now nearly 60% of the soap company sales are based on petroleum-derived synthetic detergents. Of course, the rate of increase is slowing down appreciably as the line approaches the total soap and detergent sales.

Petrochemicals are assuming major importance in the plastic field. From Fig. 2 [Omitted—Ed.] it will be seen that plastics have also been a rapid-growth industry. It is reasonable to expect the growth will continue in those applications where their special properties justify their higher cost. Today you can buy everything from polyethylene squeeze bottles to sports cars molded from petrochemical plastics. Although their growth has been spectacular, their consumption in pounds is still less than 1% that of other structural materials, which leaves considerable room for expansion.

Dacron (du Pont trademark), polyester fiber, and most of the new synthetic fibers coming into wider use are petroleum derivatives. Their advantages, such as resistance to wrinkling, long wear, and appearance, are making them increasingly popular. By way of illustration, Fig. 3 [Omitted—Ed.] plots the growth of synthetic fibers against the natural fibers such as cotton and wool.

Rayon is not included in the synthetic-fiber statistics, as it is largely derived from wood pulp. Let me caution you against trying to extrapolate the synthetic-fiber curve and reach the conclusion that cotton will be displaced by petrochemical fibers before 1970! Although the consumption of synthetic fibers is about 200 million pounds, it is still only 4% of cotton consumption. As the percentage rises, the rate of growth will undoubtedly slacken.

You find petroleum chemicals in almost every field of use today—synthetic rubber, gasoline and lubricating-oil additives, paint, insecticides, and medicines, to name a few. The variety of products and the untapped potential capture the imagination. A luncheon speaker in our area is making a hit talking about chemicals that come out of petroleum's "magic barrel."

Will Petrochemicals Affect Oil Business?

But stripped of the magic—and illuminated in the cold light reflected by a silver dollar—what effect is all this going to have on your business, the business of producing oil and gas? To answer that, consider the basic characteristics that many petrochemicals have in common.

First, they derive their value and their utility, not from the intrinsic value of the raw material from which they originate, but from complex and costly manufacturing processes. Second, although we refer to these chemicals as *petro* chemicals, many can be manufactured just as readily from alternate raw materials such as wood, coal, and even molasses. A classic example is du Pont nylon in which the *same* intermediate chemical is being produced from six different sources, as indicated in Table I.

TABLE I

Nylon Raw Materials

Raw-material Source	Raw Material
Natural gas	Butane
Gasoline fraction	Cyclohexane
Coal tar	Benzene
Oat hulls	Furfural
Corn cobs	Furfural
Sugar-cane bagasse	Furfural

Now, because the price is favorable, oil and natural gas are pulling ahead of alternate raw materials in many lines of chemical production—nylon among them.

This following tabulation lists some other leading products and the percentages manufactured from petroleum and the alternate sources.

Chemical	Percent Now Produced from Petroleum	Alternate Raw Material
Ammonia	85	Coal
Methyl alcohol (formerly called wood alcohol)	80	Coal and wood
Ethyl alcohol	57	Molasses and other agricultural products
Toluene	60	Coal
Xylene	86	Coal

Each of these products, 30 years ago, was manufactured entirely from materials other than petroleum. So that gives an idea of how far petroleum has come in this competition.

However, I don't want to convey the impression that oil and gas have won and the contest is over. Advances are also being made in the technology of converting coal to chemicals. Carbide and Carbon, for example, is reported to be operating an $11-million pilot plant turning 600 tons a day of coal into aromatic chemicals by coal hydrogenation.

The significance of all this to oil and gas producers should be clear, I believe; and it is this: The prosperity of the petrochemical industry depends fundamentally upon big-volume, low-cost sources of raw materials.

The price has to *continue* to be right. If the value of crude oil or natural gas reaches the point where the alternate raw materials can come back strongly into the picture, then the petrochemical industry will begin to tail off and we'll see a booming coal-chemical industry, or a molasses-chemical industry—or a corn-cob-chemical industry—whatever happens to be cheapest. In short, I submit that very few oil and gas producers are going to wax very prosperous solely on account of the growth in petrochemicals.

However, before I am accused of wielding a wet blanket, I hasten to add that this does not mean that *some* producers — those who are properly located and have sufficient long-range reserves—will not be able to profit from doing business with the petrochemical industry.

The next questions to consider, then, are: *Which* petrochemical markets will oil and gas producers be able to serve profitably? How big will those markets be? Here are the answers, as I see them.

First, with respect to crude oil, I do not believe your existing marketing pattern is going to be altered by the expansion of petrochemicals. As you know, crude oil is composed by many thousands of different chemical compounds and many more are formed during cracking and other refining operations. Only a small portion of these are desirable for the manufacture of petrochemicals. Thus, a fully integrated petroleum refinery is needed to separate the small percentage of desirable types for chemicals and to consume the large remainder in conventional refinery products. Although it is true that many refineries, particularly the larger units, are entering into petrochemicals, their chemical production in oil-company units of barrels per day is small compared to their overall petroleum consumption. For example, one of the largest operators in the petrochemical business has a chemical production of less than 15,000 bbls. per day, which is about 3% of the company's crude-oil throughput.

Next let us consider natural gas and LPG. This is the segment of your industry likely to be more directly concerned with the petrochemical industry. In these products, we are dealing primarily with only four molecular species. As you know, methane is in greatest abundance with smaller quantities of ethane, propane, and butane. Relatively simple processes, by chemical-industry standards, are needed to isolate the fractions of natural gas or LPG for manufacture of chemical derivatives. Thus, petrochemical companies can be your direct customers. First, let us look at some of the chemicals now being made from one of these raw materials — methane.

TABLE 2

Chemicals from Methane

Chemical	Major End Use
Ammonia	Fertilizers
Methyl alcohol	Anti-freeze and raw material for formaldehyde (used in plastics)
Hydrogen cyanide	Plastics and synthetic fibers
Acetylene	Welding, vinyl plastics, and neoprene rubber
Methyl cloride, methylene dichloride, chloroform, & carbon tetrachloride	Solvents and refrigerants
Carbon black	Rubber compounding

As we go on to ethane, propane, and butane, the number of chemical derivatives becomes much greater and far too numerous to list here. Several dozen major chemical products are involved.

Many of the plants making chemicals from natural gas and LPG are thirsty consumers of raw materials. For example, a single ammonia plant may consume some eight million cubic feet of natural gas daily for a

Continued on page 34

*A paper presented to a Group Session of the Division of Production at the 34th Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 9, 1954.

The Prevention and Cure of All Wars

By ALEXANDER WILSON*

In the following article, the writer advances his answer for the prevention and cure of War and for the propagation of Peace on earth, which man-made treaties and pacts have failed to do.

The prevention and cure of all wars is to be found in the unwritten law inherent in the most profound sermon ever delivered — I have reference to the Sermon on the Mount by the Saviour of Mankind in his enunciation of the Golden Rule, for this rule of conduct embodies all the requirements and adjustments for living an individual's life either in business, private life, or civic intercourse and for national and international relations.

Alexander Wilson

Indeed, there is no philosophy, no criterion, that can compare with the Golden Rule for law and order and for all human relationships on this Earth.

Christ's "Golden Rule"— and here I quote Matthew vii-12 (which in essence and purport is world wide) — is essentially the rule of "doing to others as we would have them do to us."

This simple statement epitomizes in a few understandable words a treatise on morals as well as the science of moral duty and likewise states a standard of moral principles, quality or practice that can and should be exemplified in all the business relations of a Christian layman.

The Saviour's Golden Rule is intrinsically better and more significant than any man-made law whether it embraces the individual, the nation or the world.

We must realize that "the cure and prevention of war" is to be found in the religion of the Nazarene *as set forth in the Golden Rule* between "man and man" and likewise between "nation and nation."

The simple observance of the Golden Rule by the Big Powers, if such a consummation is ever attained, would insure Peace on Earth, which all the Atlantic Charters, Kellogg-Briand Pacts, Leagues of Nations, North Atlantic Defense Pacts, United Nations, and man-made paper treaties have failed to do up to the present time.

*Writer on political questions and international problems.

LETTER TO THE EDITOR:

Takes Issue With McNichols' Views on "Dollar Averaging"

Edward Marcus, Assistant Professor of Economics at Brooklyn College, says it is not "dollar averaging," but the tremendous flow of institutional funds into equities that has been pushing up prices of high grade stocks. Defends "dollar averaging," and concludes the relative yield pattern has not been affected noticeably by such an investment policy.

Editor, Commercial and Financial Chronicle:

Your Nov. 4 issue carried an article by Professor Thomas J. McNichols on "The Pitfalls of a Dollar Averaging Policy" which, I think, calls for some qualifying comments.

Edward Marcus

The author points out that dollar averaging in the so-called "blue chips" is tending to drive up their prices to inflated levels comparable with 1928-29. Actually, as his amplification indicates, it is not this policy but simply the steady stream of new funds flowing into these high quality stocks that is responsible for the rise. So long as the various institutions are large net purchasers, the available supply will continually decrease, unless new supplies come on the market, for example, through new issues or the liquidation of large estates. Regardless of the investment policy followed —whether or not dollar averaging is observed — continued sizable purchases will have the same effect, constantly bidding up the price of those issues on which this demand is concentrated. Hence, if we are fearful that prices will rise unduly, the answer is not to stop dollar averaging, but to spread common stock purchases over a much broader list.

A second implication of Professor McNichols' article is that an automatic dollar averaging policy will put the buyers in a vulnerable position since security prices, once they are bid up to very high levels, may come crashing down, similar to the post-1929 experience. While I do not wish to advocate any automatic policy in the handling of investments, nevertheless I think this automaticity is actually a protection from this particular fear. If the dollar averaging policy keeps bidding up prices without the feared reaction, then the current price will always exceed the average cost of purchases, so that the market value of the holdings will always be more than the cost to the fund. Hence, although yields will have dropped as the stock rose, a capital gain will be realized should the fund decide to sell, for example, to meet an unexpected cash drain. A mutual fund investor, in other words, will receive a smaller current return, but will get a greater capital appreciation whenever he decides to redeem his holdings. Incidentally, if such should occur, he will also have gained through the tax saving, since it is the current income which is subject to the higher rate.

If, on the other hand, the bidding up of prices is followed by a sharp drop, the dollar averaging policy would keep the fund continually investing. Hence, it would now be buying at the lower prices, with a correspondingly higher yield. Of course, if the dividend were reduced, then the lower purchase price would also have a lower yield. That, however, is not a fault of the dollar averaging policy but a defect in the quality of the investment selected. A dividend reduction will reduce current income regardless of the purchase policy!

In his illustrative statistics, Professor McNichols remarks that the 20 stocks most favored by institutional buyers yield far less than, say, the average of the Dow-Jones Industrials, a fault he attributes to dollar averaging. On the contrary, it would seem to indicate that the funds concentrate on the bluest of the blue chips—that is, those whose yield would be extremely low—or else prefer the quality growth stocks, again a lower-than-average-yield group. In fact, he even admits this, by implication, when he points out that the *relative* decline in yields of the two groups, from mid-September, 1953, to Oct. 8, 1954, was the same. Yields on both groups fell approximately one-quarter during that period, or, putting it another way, yields on the 20 favored stocks remained about one-sixth (actually 15%) below the Dow-Jones Industrials. The relative valuation placed on these two groups by the market remained the same, despite the fact that we were in a rising market. The dollar averaging policy, as evidenced by the movement of the selected 20, depressed yields no more than did market action in general, as evidenced by the Dow-Jones Industrials. Yields on both fell, but by the same proportion for each group. Hence, if the selected 20 were the superior blue chips in September, 1953, and therefore yielded a sixth less than the 30 Industrials, presumably they continued to be the superior stocks in October, 1954, continuing their differential yield at a sixth below the Dow group. To prove his charge against dollar averaging the author would have had to show that the yield of the selected 20 dropped much more than that experienced by the 30 Dow Industrials, and this, as already remarked, was not the case.

It might be noted, incidentally, that much of the drop in yields of the selected 20 favored by the dollar averagers can be attributed to the sharp rise in General Motors and the selected petroleum securities, two sectors which had been particularly depressed in late 1953. If we remove these from the selected 20, the yield of the remaining 12 declines from 4.85% to 3.7% (my estimates) from 1953 to 1954; in the former year these 12 had a yield about ¾% below the excluded 8, whereas by October of this year the two groups had the same yield. In other words, the yields on the 20 stocks favored by institutional investors declined no more than did the Dow Industrials during the 13 months' period studied, and the decline of the selected group was partly attributable to the drawing together of the various sub-groups, the disappearance of the excess spread of the eight depressed securities.

Hence, it does not seem that dollar averaging can be blamed either for unusually low yields or excessively high share prices. Rather, the cause lies much deeper: the unprecedented flow of new funds into high-grade equities in a volume far in excess of new supplies coming on the market.

Very truly yours,
EDWARD MARCUS
Assistant Professor of Economics
Brooklyn College
Brooklyn 10, N. Y.
Nov. 11, 1954.

Smith, Barney & Co. Group to Market Huge Block Of Outstanding N. J. Turnpike 3¼% Rev. Bonds

Secondary Offering of $75,000,000-$100,000,000 To Be Made on or about Nov. 23

Public offering of $75,000,000-$100,000,000 principal amount of New Jersey Turnpike Authority 3¼% turnpike revenue bonds (1950 issue) dated Jan. 1, 1950 and due Jan. 1, 1985 will be made on or about Nov. 23 by a group of underwriters headed by Smith, Barney & Co., it was announced. The bonds represent a portion of the $220,000,000 of such bonds placed privately by Smith, Barney & Co. in February, 1950 on a forward commitment basis with the New Jersey State Funds and a group of investing institutions.

The 3¼% bonds due 1985 together with the Authority's outstanding $35,000,000 turnpike revenue 3.20% bonds (1951 issue) due Jan. 1, 1986—so-called General Bonds — constitute a closed first lien on all of the Authority's net operating revenues from the present Turnpike, the Newark Bay and Pennsylvania Extension now under construction, and any future improvements or extensions which the Authority may finance by means of Second Series bonds. In addition to the outstanding General Bonds, the Authority has outstanding $150,000,000 of 3⅜% Second Series bonds due July 1, 1988 and $27,200,000 of 3% Second Series bonds due July 1, 1988.

The existing turnpike extends a distance of approximately 118 miles through the most densely populated area of New Jersey, running from a point three miles west of the George Washington Bridge diagonally across the State to Deepwater, N. J., where it connects with the Delaware Memorial Bridge. Construction of the Turnpike was begun in February, 1950 and the entire route was in operation by Jan. 15, 1952. At the present time two extensions to the turnpike are under construction: (a) the Newark Bay - Hudson County Extension, which will extend 8.1 miles from the Newark Airport Interchange of the turnpike to the Holland Tunnel Plaza in Jersey City, and will consist of a bridge over Newark Bay and an expressway through Jersey City and (b) the Pennsylvania Extension, which will connect the turnpike with the easterly extension of the Pennsylvania Turnpike now under construction.

Traffic and revenues on the New Jersey Turnpike have run substantially ahead of estimates, according to the New Jersey Turnpike Authority. The Authority's report for the quarter ended Sept. 30, 1954 stated that "traffic and revenues for the quarter ended Sept. 30, and for the first nine months of the year, ran ahead of the corresponding periods of 1953, and again were well in excess of the estimates of the traffic and revenue engineers for financing purposes."

Revenues from tolls in the first nine months of 1954, according to the Authority, amounted to $15,659,800, an increase of 7.56% compared with the like 1953 period. Toll revenues in July, 1954, established a new monthly record of $2,252,164.

Traffic to date in 1954 has increased to a point where, according to the Authority, it has been at the rate which was not expected by the engineers to be attained until the early 1980's. The daily average of traffic during the first nine months of 1954 was 67,300 vehicles, which compared with the engineering estimate for 1954 of 27,700 vehicles daily. During the summer of 1954 a peak day volume of 104,800 vehicles used the Turnpike. During the first nine months of this year traffic totaled 18,362,900 vehicles, an increase of 11.1% over the corresponding period of 1953.

Advertising Council Honors C. E. Wilson With 1st Ann. Award

The Advertising Council on Nov. 17 presented its first Annual Award for Public Service to Charles E. Wilson, Chairman of the Executive Committee of the Board of Directors, W. R. Grace & Co.

Charles E. Wilson

The presentation was made by Charles G. Mortimer, President, General Foods Corporation, at a dinner in honor of Mr. Wilson at the Waldorf-Astoria attended by 650 business and advertising leaders. The dinner was held in conjunction with Advertising Council Day and climaxed all-day conferences of Council committee and board members on present and future activities of the non-profit, public service advertising organization.

The newly-instituted award, a footed silver Revere bowl inscribed with the Council's pen-and-sword symbol, the recipient's name, and the mottor "For Public Service," will be presented each year by the Council "to an American businessman who has contributed notably in public service to the welfare of his country and his fellow citizens."

Customers Brokers Will Hold Meeting & Dinner

The Association of Customers' Brokers will hold its Annual Christmas Dinner and Quarterly Meeting at Whyte's Restaurant, Wednesday, Dec. 15, 1954.

A greater attendance than ever is anticipated and reservations are limited and will close Monday, Dec. 13, 1954.

Meeting will be at 4:15 p.m. Cocktails 5:15 p.m. Dinner 6:15 p.m. Price is $8 and includes dinner, cocktails and all gratuities.

Meyer Amster, Josephthal & Co., is Chairman of the Entertainment Committee.

Joins Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—George M. Wilson has become affiliated with Goodbody & Co., 14 Northeast First Avenue. He was formerly with H. Hentz & Co. and Francis I. du Pont & Co.

Consumer Finance and Future Economic Growth

By ERNST A. DAUER*
Director of Consumer Credit Studies
Household Finance Corporation, Chicago, Illinois

In commenting on the prospective increase in the output of goods and services arising from the rapidly growing manpower during the next two decades, Mr. Dauer estimates that the total volume of goods and services will amount to around three times as much as at present. Discusses growth factors in the economy which may increase demand for goods and services, and stresses importance of credit as factor in stimulating consumer demand. Looks for continued upward trend in cash instalment loans, and concludes it is uneconomic for either banks or consumer finance companies to serve in areas which each alone can serve more effectively.

Most businessmen and economists are very optimistic about the long range future growth of the American economy today.


Dr. Ernst A. Dauer

There was a period, which we can roughly call the 1930's, when most businessmen, government officials and economists looked upon the future of the country with misgiving. Some of our outstanding economists believed that the economic growth of the country was at an end and that stagnation was inevitable. We cannot go into all of the reasons which led to that belief, but one was the continuous decline in the birthrate from 1910 until 1933. This decline caused population satisticians to forecast that in the not-too-distant future our total population would no longer increase. It made businessmen believe that their markets could no longer be expanded. When that belief was combined with the attitude toward business and profits then in vogue in Washington, it is not surprising that businessmen failed to expand their plant capacity and failed to invest in new machinery. Thus they themselves contributed to the economic doldrums of the Thirties. The "stagnation theory" continued to have strong support throughout the war period. Proof is found in the forecasts then issued from responsible quarters that we faced a severe and prolonged depression, followed by stagnation, after the war.

Today, the "stagnation theory" is all but forgotten. Today, businessmen and economists are aware that the economic growth in the United States has been persistent throughout its history, even though it has been interrupted by depressions of varying lengths. After every business decline, total output has moved on to a new high. And so, during the last year businessmen have continued to invest in new plants and more efficient machinery at a record rate, even though sales anticipated in 1954 were lower than in 1953. They have done so because they have confidence in the future growth of our economy.

In the early postwar period there were two monumental studies of our economy, one by the Twentieth Century Fund ("America's Needs and Resources"); the other by the Brookings Institution ("Controlling Factors in Economic Development"). Both described the factors responsible for the tremendous development in this country during the last century which has truly been called "The Miracle of North America."

Our unparalleled economic advance was brought about through the application of industry, skill, knowledge, and more efficient machinery and processes. For example, one automobile company has checked its records and found that in 1908 it began buying machinery to replace its hand tools. This process has continued steadily ever since, so that by 1948 the company had about $6,000 invested in equipment for each employee. (Replacement cost of the equipment in 1948 would have been $10,000 per employee.) The company's statisticians have also figured out that their 1947 cars, which sold for less than $1,500, would have cost more than $50,000 if they had been built with the tools used in 1908. With efficient machinery the car costs less, the worker produces more, his work is easier, and he now works 40 hours a week instead of the 60 hours worked in 1908. In addition, his weekly "real wages," i. e., in terms of what he is able to buy, have more than doubled.

A number of studies have attempted to calculate what a continuation of these processes will mean to the country in terms of total output and even in terms of potential demand for different kinds of products. The Twentieth Century Fund study calculated what the economy would look like in 1960. In 1952 the Department of Commerce, with the advice of a distinguished group of consulting economists from business, prepared a study called, "Markets After The Defense Expansion." Also in 1952, the staff of the Joint Committee on the Economic Report prepared a study called, "The Sustaining Economic Forces Ahead." In 1953 the National Planning Association, a non-profit group located in Washington, published its study, "The American Economy in 1960." Just about a month ago the Stanford University Research Center prepared a forecast for a large timber company of what the American market would look like in 1965 and 1975. All emphasize the dynamic growth that will occur in our economy.

I do not wish to bore or confuse you with a multiplicity of figures but let me point out just a few facts. Our output per hour of work has increased at an average rate of 2% a year ever since 1910. The experts tell us that the rate of increase has been considerably higher recently and that during the next 10 years the rate of increase will probably be 2½ or 3% a year. This higher rate of increase will result from recent high rates of investment in new plants and equipment, high expenditures for research which has proved productive, and a rapid increase in skill and efficiency.

Now, what does a continuation until 1975 of the past rate of increase in output mean? An increase of 2% a year, compounded, means that hourly output will go up by 50%. An increase of 3% a year, compounded, will almost double the hourly output. Of course, if we reduce the work week from its present average of almost 40 hours, then the output per week per worker would be reduced accordingly.

Now, let us add one more ingredient; the records show that almost one million people will reach the age where they will be added to the productive labor force each year for the next 20 years.

Regardless of our politics and our attitude with respect to the role of government, I think you will agree that no Federal Administration, Republican or Democratic, will find it politically possible to permit a substantial degree of unemployment for any length of time. So, we can assume that we will have close to 10 million more people working in 1965 and close to 20 million more people working in 1975. In other words, by 1975 we will have almost one-third more workers than at present; each one will be turning out goods and services at an hourly rate from 50 to 100% higher than at present. This means that the total volume of goods and services (at present prices) will add up to 2½ or 3 times as much as at the present time.

Ah, you say, but there's the rub! How will we sell those goods and services? First, let us assume that there will be a need and desire on the part of the people to purchase the increased output of goods and services. Then, let us assume that the manufacturers have produced the goods and services that the people will want at the right prices. Then it follows that those needs or desires will be transformed into demands merely as a result of putting the money with which to buy the goods in the hands of the people. They will get that money not only in the form of wages and salaries for producing the goods and services, but also in the form of dividends, rents, profits and the like. The question then is whether the needs of the public or their desires will justify such an output.

I think most of us would be willing to admit that if our incomes were increased over the next 20-year period by 50%, or even if they were doubled, that we would have no difficulty in using the additional income. But, we may wonder about the other fellow.

The Growth Factors

Let's take a look at the factors most important in increasing the demand for goods and services. First is the amazing population growth and the changing age structure in the United States. The birthrate turned up in the middle 1930's and has remained at an unexpected high level since the end of the war. Today we have a population of 163 million. By 1965 it will be between 180 and 190 million; by 1975 the Census Bureau expects it to be between 199 and 220 million.

We mentioned a little while ago that we will be adding one million people to the labor force each year, but the increase in unproductive consumers will be even more spectacular. The number of children between the ages of 14 and 17 will go up nearly 60% by 1965. Youngsters, I find as a father, are heavy consumers, both directly and indirectly. Grammar schools are bursting at the seams. Soon the high schools will, too. The number of retired or partly retired elderly people is also rapidly increasing. In other words, the entire composition and age structure of the population is changing in such a manner as to stimulate demand in the future.

Families are becoming larger and need new homes or additions to their present ones. One-fifth of our families are moving each year and when they move to the suburbs, many need a second car. And the suburbs need hospitals, roads, water and drainage facilities, and so forth.

A few years ago there were no jet planes, no television sets, no wonder drugs, no nylon, Orlon, Dacron and no atomic energy.

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*An address by Mr. Dauer at the Annual Convention of the Michigan Consumer Finance Association, Detroit, Mich., Nov. 3, 1954.

Stock Market in "Blowoff" Stage?

By BRADBURY K. THURLOW
Talmage and Company, Members, N. Y. Stock Exchange

In pointing out recent trends in the stock market, Mr. Thurlow holds, though it seems a little too early to sell, what we see now is the first of perhaps a series of storm signals telling us the market has entered a "blowoff" stage in which individual issues may already have reached their highs for the period. Says now is good time for investor to review his list of stock holdings.

In August of this year (when the Dow-Jones Industrial Averages reached 350) a short selloff was widely heralded immediately after Labor Day. In consequence, the stock market, which will not be bullied by prophets, made a nice bottom just before Labor Day and proceeded to rise, virtually without interruption, for six weeks or so thereafter.


B. K. Thurlow

In October of this year it seemed apparent to most observers that the Republicans would lose control of the House and Senate. Therefore, they reasoned, the stock market, already too high for comfort, would sell off sharply after the Election results were in. In consequence, the market, which would still not be bullied by prophets, made a nice bottom just before Election Day and since that time has begun one of the most rapid rises in years.

Seldom has public opinion been more beaten about the ears than it has in the course of this rise which began a year ago September. Now we are beginning to see signs of short term optimism and are wondering on the basis of recent market history whether prices of a number of stocks are not coming close to a point where sellers may be wiser than buyers and cash may be better off in the bank for a few months than in the gyrating stock market.

It still seems a little early to sell. The odd-lot indices continue to show about a 10% preponderance of selling over buying. The short interest remains at near record figures. Those individuals who own the stocks which have had good rises are in all probability faced with a large tax to pay if they sell this year, while if they sell in January, they may take a free speculative ride at government expense for eleven months. Extra dividends appear to be worth waiting for this year since, in sharp contrast to a year ago, stocks seem to make up their dividends quickly after they sell "ex".

From the investment viewpoint this post-Election rise seems to represent the re-awakening of speculative interest in legitimate medium grade stocks after a long dormant period. Earlier this year we saw what we believed to be excessive speculation in the "Favorite Fifty" at one end of the scale and, at the extreme other end, in the reams of probably worthless penny stocks sold to an eager but uninformed public by some of our "colleagues" in the securities business.

Excessive speculation in medium grade stocks could easily double the price level of many of them from where they are now, so that we cannot become unduly alarmed over the future prospects of those equities which still look undervalued. From here on, however, new purchases, in our opinion, should be confined to issues which can be proven to be depressed or at least conservatively priced. Those stocks which have had large advances (50% or more) since June are probably going to be a sale at some point between now and the end of the year.

What we see now is not the end of this general rise, but the first of perhaps a series of storm signals telling us that the rise has entered a "blowoff" stage in which individual issues may already be making their highs prior to a few months of unsettlement. When the "blowoff" is completed we should not be surprised to see a reaction of 40-50 points in the Dow-Jones Industrials. This is a good time for the investor to review his list most carefully.

"Caveat Emptor"

D. J. Coogan Joins Byrne & Phelps, Inc.

Byrne and Phelps, Incorporated, 44 Wall Street, New York City, underwriters and dealers in municipal bonds, announced that David Gordon Coogan has become associated with the firm in the retail sales department. He was formerly with the firm of Bacon, Stevenson & Co.

Challenge of Industrial Change

By ROBERT G. DUNLOP*
President, Sun Oil Company, Philadelphia, Pa.

Prominent oil executive discusses importance of change to social and industrial progress and cites recent, especially significant trends, such as: (1) growing complexity of industrial organization; (2) specialization and product diversification; (3) decentralization of both physical operations and managerial authority; (4) automation, and (5) increasing concern of industrial management with human relations problems. Holds America's best opportunities for industrial development lie ahead, and the principal challenge of the future is in the field of human relations.

Is This the High Tide?

A few months ago my family and I spent our vacation in Europe. We were typical tourists; gawking at cathedrals and monuments; taking each other's pictures at scenic spots; and tramping determinedly, if not exactly tirelessly, through museums and ruins. We had no serious purpose in mind other than to look at things, and we had a wonderful time.


Robert G. Dunlop

But sometimes serious thoughts arise unbidden, and I must admit that many of the things we saw in Europe stimulated me to do some heavy pondering. I remember the words of a guide who was showing us some ruins which once represented "the grandeur that was Rome."

Pointing to a half-crumbled edifice of marble, he said to us: "This stood in the days before our country became decadent."

I recall looking at the guide and thinking: "What a bitter thing it must be to be forced to recognize decadence in one's own land and to speak of it to strangers."

And I thought of Shakespeare's words: "There is a tide in the affairs of men . . ." Here in front of me was concrete evidence that a high tide in one age may be followed by an ebb tide in the next.

From that point, my thoughts turned to our own country and the democratic civilization of private enterprise, based on individual freedom, which we have established. We have become the strongest, richest, and most prosperous people in the world, I reflected.

Have we reached our high tide? Is America capable of rising to even greater heights, or are we to follow the path of past civilization and turn downhill?

Perspective Needed

All of you perhaps know that, like yourselves, I was incubated in the hatchery of finance and accounting. I make no pretense of being an accomplished historian or social philosopher. But I am sensitive to the fact that the answer to the question I raised depends in large part upon the quality of leadership which we in industrial management offer our country.

Ours is a responsibility we could not escape, even if we desired to do so. Our role as managers of this country's industrial tools of production is too critical. The social moral—and, yes, even spiritual—overtones of our decisions affect too many lives, both directly and indirectly, for us to ignore the broad, long-run social consequences of what we do.

I do not mean to say, of course, that industrial management has the sole responsibility for the future of this country. The areas in which we may properly act are most definitely limited. It is neither our duty, nor our privilege, to usurp the roles of educators, clergymen, politicians, and others who, like ourselves, have essential functions to perform. Industrial paternalism, once popular among some owner-managers of the past who thought it their obligation to tell people how to live and communities how to act, is, or ought to be, dead. Industrial managers of today, who, unfortunately, often have but modest ownership shares in the businesses they manage, wield their undeniable power only within their proper sphere of activity. In so doing, they seek to strengthen, enrich, and uplift American life in its various aspects.

For this task, we need a sense of historical perspective—the ability to stand apart from ourselves, as it were, and observe the trends and changes which are occurring in our own times. And we also need accurate, factual information about significant changes in order that we may be able to deal with them realistically and wisely.

Opportunity Afforded

The fulfillment of these two needs affords great opportunity for financial and accounting people to extend the scope of their services to top management. It is with that thought that I wish to express my appreciation for the honor of addressing this audience. I should like to do for you what that vacation in Europe did for me—stimulate you to think along important but perhaps somewhat unaccustomed lines.

Perhaps the most interesting observation to be made in Europe is that wherever one sees a noticeable lack of change, there also one finds a notable lack of progress. And often where sweeping changes have occurred, they have been accompanied by drastic alterations in the basic social and political patterns of the particular nation concerned.

This observation is especially significant to Americans because ours is a creative society in which we encourage constant change by striving competitively to improve our goods, services, and processes. But it is the peculiar genius of our people that we have been able to make progress through the encouragement of change while we have maintained unchanged the basic virtues of our political and economic systems.

Change Is Continuous

We thrive on change to such an extent that our economy has aptly been labeled "the permanent revolution." In fact, the very beginnings of our persent business system may be thought of as springing from three revolutionary events which occurred almost simultaneously almost 200 years ago. Three men—one in Glasgow, one in Boston, and the third a Scotsman traveling in France—supplied much of the explosive thinking which helped lay the foundation for the business world we know today.

The Glasgow man was James Watt, whose reciprocating steam engine, patented in 1769, was the catalyst of the industrial revolution. The Bostonian was Samuel Adams, whose skillful and relentless propaganda campaign culminated in the American Revolution, bringing economic freedom from Britain's restrictive colonial policies. And the continental traveler was Adam Smith, whose book, "The Wealth of Nations," published the same year as the Declaration of Independence, struck a deadly blow to mercantilism and helped make possible the rise of free markets.

In the intervening years American business has experienced many changes. We have seen changes in our technical processes and in our products; changes in our organizational structures, our methods of financing and selling, our relations with labor and government, our concepts of business ethics; and changes in the laws under which we operate.

Probably no one approves of all the changes which have occurred, but I believe we could all agree that, by and large, the changes I mention have benefited the American people.

Adapt or Perish!

The kind of changes which concern us here does not occur willy-nilly. "Adapt or perish" is an inexorable law of life for our firms, just as it is for the many species Darwin studied. One does not need to visit the splendid marble halls of the once great House of the Medici in Florence to understand that business, like every other institution which hopes to endure, must adjust to the goals of the people it serves.

The process of adaptation and adjustment which business must continually undergo is deliberative. Our free decisions, for the most part, determine what changes will be made and, hence, what our destiny shall be. That is why it is so essential that we understand fully the trends and situations we face.

All of these thoughts naturally led me to the question: What are the current trends which may hold particular significance to business in the foreseeable future? Some of the answers to this question, I believe, may be of special interest to you.

Complexity Proceeds Apace

One significant development, it seems to me, is the growing complexity of industrial corporations. Once it was the boast of some successful businessmen that they carried their offices around in their hats. Some of them, I suspect, also did considerable talking through their hats. But a hat is merely a *chapeau* to a modern business executive. He is dependent upon his files, his telephone, and his assistants; and he must know whereof he speaks or he is soon on his way out.

Growing complexity results from several causes. For one thing, we have more so-called "big business." As our population has grown and our standard of living increased, businesses have grown in proportion to the larger job they are called upon to do. Growth in size means the introduction of additional levels of supervision and the subdivision of authority. This, obviously, makes our organizations more complex.

Specialization is another contributing factor. As our organizations grow and responsibilities are increasingly segmented, we hire more staff personnel to handle particular matters with an expertness we could not expect from others. Our growing reliance on science for improvements in products and processes results in the employment of ever larger numbers and varieties of technical specialists. The recent statement by the API Department of Information that there are 1,860 different kinds of jobs in the oil industry is an indication of how diverse and complex the oil business has become.

The trend toward product diversification also tends to increase the complexity of an organization. New techniques must be mastered; new markets studied; and, often, additional specialized personnel hired.

The fact that we, as industrial managers, hold ourselves responsible not merely to stockholders, but also to employees, customers, and the general public, adds further complication. We become involved in the difficult task of weighing the merits of each group's special interests in the problem at hand. Then these considerations must be evaluated in the light of our primary concern of earning a profit. Of course, today we all realize that short-run profitability is not always a reliable guide for executive decisions. We emphasize long-run considerations because we operate on the premise that our firms will remain in business for many, many decades to come.

As the trend of increased complexity continues, sound management at the policy level grows ever more difficult. Those who have overall responsibility for policy are forced to rely more and more upon statistical studies and summary reports, and less and less upon personal observation and experience.

Potentially, there is a danger that complexity could result in our corporate organizations becoming highly bureaucratic. All of us have probably observed some tendency in this direction. We have seen the old bureaucratic game of empire building taking place within business organizations. We may have seen departmental goals and objectives placed above the overall interests of the company. We have probably seen specialists in a given field isolate themselves—talking the special jargon which sets them apart, reinforcing one another's narrow points of view, and becoming so closely identified with particular proposals as to lose their objectivity and, hence, part of their usefulness.

An effective weapon to prevent bureaucratic practices of this type from taking hold would be better systems of evaluating the positive contributions of a company's various departments and subdivisions. Traditional cost accounting and efficiency measures, because of their limitations, particularly in the field of human relations, are not the answer. We need to know the value of the results achieved by particular segments of the company. If we could evaluate these results in some statistical manner, we would be in a position to appraise more judiciously the data supplied to us for our consideration in rendering policy decisions.

Decentralization Has Advantages

The trend toward increased complexity has given rise to a second trend of great significance I refer to the tendency to decentralize our organizations, both in terms of physical operations and of managerial authority.

I am not referring here to the dispersal of industry for reasons of national defense. That is another matter entirely. I am thinking, rather, of physical decentralization, undertaken for economic reasons such as the lowering of distribution costs. And I am thinking also of organizational decentralization through the granting of a high degree of autonomy to local managers of plants and offices.

Decentralization of the latter type in particular, especially when accompanied by the allocation of staff assistance to the decentralized units, means, in effect, the breaking up of our companies into more or less self-contained units.

There are many advantages to this kind of decentralization. Problems can be handled directly and speedily by those who are closest to them, and who understand them best. Our companies tend to lose their appearance of vast, impersonal, bureaucratic-type organizations and, instead, take on the more desirable appearance of a federation of community enterprises. And not the least advantage is that each decentralized unit becomes a proving grounds for local managers as potential executives, providing them with opportunities for development which they never obtain when authority is closely held by a central executive group.

As you might gather, I favor the trend toward decentralization of industry. Generally speaking, I believe physical decentralization has a sound economic basis, stemming from such things as improvements in communication technology, population changes, and the broad geographic availability of power resources. Managerial decentralization is sound also from a sociological point of view. Greater community acceptance, and a consequent decrease in the common fear of "big business," is one important consideration. The greater ease with which employees can identify themselves with, and develop loyalty to, small, more or less autonomous units is another. And the fact that a decentralized company is likely to be less authoritarian and arbitrary in its management practices means that it harmonizes better with this country's democratic tradition, an important long-run consideration.

Problems Too . . .

On the other hand, there is one great difficulty inherent in a program of decentralization. The difficulty lies in the fact that the ultimate responsibility for the successful operation of a company must always rest with the board of directors and the chief executive. They face the problem of trying to retain a sufficient degree of control to satisfy their obligations while at the same time delegating a maximum of authority and responsibility to local managers.

This is a problem which can be solved through adequate reporting and control measures. Paradoxically, when controls over local management are most reliable, the greatest freedom can be permitted. A chief executive is most likely to permit local management to act on its own initiative if he is confident that serious errors of judgment will be brought to his attention before they become costly for his company.

The control techniques necessary to facilitate the trend of industrial decentralization have not yet been adequately developed, in my opinion. Here is an area of great challenge and opportunity for financial and accounting people.

"Automation" on the Way

A third important trend is automation. Enthusiasts are calling this development the vehicle of the second industrial revolution. That may be too strong. There is nothing revolutionary about the improvement of capital equipment; automation might more properly be regarded as an evolutionary development along paths which extend logically from past experience. The word "automation" itself is a misnomer, because plants to which it is applied are, in fact, semi-automatic.

But, nevertheless, great improvements in machinery and in manufacturing processes are clearly in the offing. The significant new development which captures the imagination is the increased utilization of electronic "feed-back" controls — so-called mechanical brains—which enable successive steps in a manufacturing process to occur in logical order on a self-regulating and self-correcting basis.

We in the oil industry have al-

*An address by Mr. Dunlop at the 34th Annual Meeting of the American Petroleum Institute, Chicago, Illinois, Nov. 9, 1954.

ready had considerable experience with the use of self-regulating, self-correcting instruments. In fact, probably the most advanced types of automation in existence today are to be found in petroleum refineries and in chemical plants.

Automated assembly lines are already a reality in the automobile industry. According to reports, other industries are likely to undergo conversion in their manufacturing processes within the next decade. And it is most likely that many accounting and record-keeping functions will be automated before many more years have passed.

There are two reasons that automation merits your attention as financial and accounting executives. First, you want to be alert to the possibilities of increasing the efficiency of your own operations as rapidly as cost considerations make the adoption of automated processes feasible. It is my observation that we have not been notable for the progress our oil-industry accounting departments have made along these lines in the past. However, I expect that, when the practical advantages of electronic computers and other equipment become more evident, competition will force their adoption without much delay. Alert accounting management, of course, will anticipate such developments, and make early installation in order to enjoy a competitive advantage.

The second reason you should keep a close eye on developments in automation is this: Your top management will want to know as soon as cost relationships in any of the departments of your company indicate a possible advantage in capital expenditure for automated equipment. This calls for continuous, systematic study in order that top management may always have in view the best possible alternatives for prospective capital investment.

There are other problems connected with automation of which you should be aware. One is that of gaining acceptance for automated processes among employees. Their fear of possible technological unemployment must be supplanted with the realization that improved machinery upgrades their status by enabling them to increase their productivity and their economic value. Some temporary labor dislocation may occur at specific plants, although not necessarily. In any case, we know from experience that the net result of technological progress is the creation of greater—not fewer — employment opportunities for labor.

Capital Requirements Increase

Another problem arising, in part, from the trend toward automation and, in part, from population growth and other factors, is the probability of extremely high future capital requirements. We need to know a great deal more than we do about how best to make capital-investment decisions. One difficulty is that measurement of capital productivity has not yet been adequately developed. As Joel Dean of Columbia University pointed out recently in "The Harvard Business Review," necessity or urgency of investment and the length of payout period involved alone are not satisfactory tests of the wisdom of particular capital expenditures. His interesting proposal that estimated return on capital expenditures serve as the basis for investment decisions deserves to be subjected to intensive study and testing. A reliable procedure for determining the productivity of capital would be a great boon to American industry, well worth all the time and effort required to perfect it.

What About Retained Earnings?

A related problem involves the choice of the type of financing to be used. As you are all well aware, the oil industry traditionally has depended largely upon retained earnings for capital funds. My own company is an outstanding example; more than 97% of the equity of Sun Oil Company's common stockholders has been built up through the investment of retained earnings. The advantages of this type of financing are apparent. The risks of bankruptcy which are inherent in debt financing area voided. The equity of present stockholders is not diluted, as when new stock issues are floated. Stockholders do not have to pay individual income taxes on large cash dividends. And freedom from dictation or control by financial institutions is easily maintained.

But as debt financing grows relatively cheaper — and that has been the trend—we need to give considerable thought to the question of whether continued reliance upon retained earnings as our primary source of capital funds best serves our stockholders' interests. On investments involving a low degree of risk—as in the construction of pipe lines, for example—many oil companies have already decided upon a policy of taking advantage of the relatively low cost of debt financing.

The more liberal depreciation provisions of the new tax law tend to reduce the financial risk of obsolescence of capital equipment and, hence, might render additional types of expenditures suitable for debt financing. Another feature of the new tax law

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Price Supports, Surpluses And Salesmanship

By EARL L. BUTZ*
Assistant Secretary of Agriculture

Prominent agricultural expert, now an Agricultural Department official, in pointing out the heavy government held food surpluses, says problem underlying the supply situation is essentially one of price, and the rigid price support legislation, by increasing supplies under support prices, is responsible for excess production over current consumption. Reveals bad effect of heavy government held food stocks, and concludes big job for agriculture today is aggressive marketing. Lists what dairy food salesmen should do to increase milk product sales.

The Federal Government today sits on top of the greatest hoard of foodstuffs in history. The bins and warehouses of the Commodity Credit Corporation provide a residual but seemingly insatiable "market" for a wide variety of food and fiber no one else seems to want very badly. Ability of the CCC to buy, and still to keep on buying, is so extensive that it staggers the imagination. When its storage quarters become filled, still more space is provided. When it begins to run out of money, either its notes are cancelled or its borrowing authority is extended.


Earl L. Butz

The CCC is today America's largest corporation, with over $6 billion invested in commodities owned or in commodity loans. It is nearly twice the size of our largest non-governmental corporation. Fortunately, its operations are much less complex. It has statutory borrowing authorization up to $10 billion. Prospects are that before this fiscal year is over, total CCC commitments will move substantially higher, probably well over $7 billion and could go even past $8 billion.

This is the grim prospect we face, in spite of our greatly stepped up efforts to merchandise government-held surpluses both at home and abroad. And I hasten to add here that our accelerated efforts to move the stuff are paying dividends, but the job is so immense that accomplishments often seem meager by comparison.

Let us examine for a moment how this situation arose in a nation that takes considerable pride in its system of free enterprise and private initiative. It is true that the production potential of our farms is great, but so is the capacity to consume also great for our rapidly growing millions. We have in this country one of the world's most extensive systems for the processing and distribution of food. We spend untold millions on sales promotion and advertising. Countless man hours go into new product development. Trained researchers fathom the mind of Mrs. Consumer in an effort better to satisfy her changing wants. High pressure promotion schemes abound in our midst.

And yet we continue to wrestle with the problem of food surpluses. Unless our capacity to consume is substantially lower than many of us believe it to be, we can only conclude that our pricing and distribution system is slack somewhere along the line. Our competitive pricing system is not functioning effectively as a distributor of resources and as a rationer of goods and services. The distribution lines have clogged up. Government has had to unplug them. It is today still siphoning surplus gluts out of clogged distribution channels. However, its own warehouses are becoming so filled, and the "publicly owned" surplus is becoming so obvious that there is increasing danger of political pressure from consumers to divert some of that surplus back into distribution channels again. Then the problem of clogged channels would really become acute.

*An address by Dr. Butz before the Milk Industry Foundation of the International Association of Ice Cream Manufacturers, Atlantic City, New Jersey, Oct. 27, 1954.

Price Problem Is Basic

The problem underlying this general supply situation is essentially one of price, not one of production or one of consumption. This is particularly true in the case of dairy products. A very modest shift in consumption patterns, which could be induced, in part at least, by price stimuli, would go far toward balancing consumption with production. The same is true regarding the effect of proper price stimuli on changes in utilization of our total milk supply.

The dairy industry is by no means unique in having its prices artificially propped by the government. Indeed, it is often unjustly criticized as a principal claimant for Federal help. It may be small consolation that government investment in wheat and corn far exceeds that in dairy products, but such is the case. Yet that comparison, in itself, is no justification for continuation of the price supporting subsidy for any particular product. To argue thus is simply the pot calling the kettle black.

As a nation, we have gotten ourselves into our current almost unbelievable surplus food situation primarily because many of our people believed, or at least hoped, an Act of Congress could brush aside fundamental demand and supply relationships. We set out to legislate price at artificial levels, without effective measures to maintain consumption rates or to curb production increases. We shackled price as an economic throttle, and provided no substitute regulation, other than governmental controls. In most cases, these proved to be too lenient and too late.

We need to return more decision making in agriculture to the individual farm manager on his own farm or to the individual food processor, and to reduce the direct participation of Government in price making and marketing. One of the overriding factors in the current agricultural situation is the mountain of foodstuffs held by Commodity Credit Corporation. It is easily within the power of that body to influence farm commodity markets rather violently both in the short run and in the long run. Even so small a thing as an ill-timed remark by one of its officers may send the market up or down several cents. It is impossible to find in the United States a dozen men with sufficient wisdom to make without error the kind of decisions faced by the board of directors of CCC. These are decisions that should be made by millions of Americans, expressing preferences through a competitive price system, regulated by Government but not dominated by Government.

It is likely that a more moderate level of price supports than has prevailed since the War would not have produced so great a government-owned surplus as we now have. Indeed, until early in World War II, basic commodities were supported at prices ranging from 52 to 75% of parity. And parity was much lower then than now. But having tasted the brew of 90% supports during and following the War, some groups find it difficult to practice temperance now, even though the hangover of price depressing surpluses is producing a splitting headache.

The spreading imposition of production and marketing curbs necessitated by the old high rigid price support legislation, still in effect on 1954 crops, has brought many farmers and processors face to face with the hard economic fact that high rigid price supports and rigid controls are the Siamese twins of agricultural policy. And the resulting situation is not palatable, to state it mildly. Nor is it any more tasteful to us in the Department of Agriculture. We look foward eagerly, as you also do, to the day when production and consumption will be more nearly in adjustment, and when fair prices can once again perform their historic function in a market relatively free from governmental interference. We are convinced the Agricultural Act of 1954 is a substantial step toward attainment of that goal.

A Huge Chunk of Cheese

On Oct. 20, 1954, the CCC owned 402 million pounds of butter, 411 million pounds of cheese, and 234 million pounds of dried milk. This was valued at over $450 million.

This is enough butter to feed all our 163 million people for four months, if not another pound were to be produced. It is enough cheese to last six months at present consumption rates. If all this butter, cheese, and dried milk were put in railway cars, the resulting freight train would be 350 miles long.

We are encouraged by the fact that the Department of Agriculture has bought no butter under its price support program since Sept. 17—by far the longest period it has been able to avoid buying butter since dairy purchases started in the fall of 1952.

Behind this simple statement of fact is a story of cooperative government-industry action on many fronts to help solve one of the most difficult current agricultural problems.

When this Administration took office early in 1953, it inherited a real mess in the dairy situation. Under a high-level price support program, surplus stocks of dairy products were piling up. Butter, cheese and dried milk were going into government warehouses instead of into consumption. Things were bad, and getting worse.

There was no simple solution—no magic formula for solving this problem over night. It was clear that solutions would have to be approached from many angles. And so the Department of Agriculture—with the wholehearted cooperation of the dairy industry itself — went to work on this "many angle" approach. Here are some of the more important steps which were taken:

(1) An aggressive promotion campaign was launched, to get more dairy products into consumption.

(2) The support price was reduced, to get better balance between supply and demand.

(3) A cooperative educational effort was aimed at greater culling of low-producing dairy cattle, thus reducing uneconomic production.

(4) The Department of Agriculture initiated broad disposal programs, to move surplus holdings into consumption without disrupting normal distribution.

These government disposal programs covered every possible outlet. They included: donations for school lunch and welfare agency use, at home and abroad; sales to the Army and the Veterans Administration at special prices, for use in addition to normal supplies; export sales, at prices competitive on the world market; various special sales, both domestic and export, to supplement short supplies of other commodities or extend their use; and some sales back into domestic markets (especially in recent weeks) at prices above the government purchase price.

As a result of these aggressive programs, and in spite of great difficulties, the movement out of government inventory has included: nearly 300 million pounds of butter, more than 225 million pounds of cheese, and more than a billion pounds of dried milk.

Government purchases under the price support program have also been running at lower levels. During the first six months of this marketing year (April-September) Commodity Credit Corporation's support purchases of dairy products were 13% less than during the same period of 1953.

The overall result is that there has been improvement in the net inventory position of CCC holdings. Inventory stocks of butter are down 64 million pounds from last July. Cheese stocks are down 24 million pounds from a little earlier in the season. Dry milk holdings are down 365 million from the total in April.

Bad Effects of Excessive CCC Stocks

Surplus dairy product stocks of the present magnitude cast a considerable cloud over the market, both domestic and foreign. Government ownership itself is no effective insulation of these surpluses from current price and market structures. Those stocks will ultimately be consumed some place, by somebody. They will not be destroyed. We are exercising every caution to prevent their spoilage. To do otherwise in this hungry world would be nothing short of the immoral and the criminal.

Some of the surplus will move abroad. But not all of it. Perhaps not even most of it. Sales to friendly foreign nations in any considerable quantity, in competition with their own producers or in subsidized competition with other friendly nations, raises understandable opposition. Oddly enough, in this strange world it is often difficult even to give the stuff away to other nations.

We can only conclude, therefore, that a substantial part of this surplus must ultimately find its way into domestic outlets. It will be difficult to accomplish this without some price disturbance.

Another ill effect of large CCC stocks is the continuing uncertainty about their management.

In the last couple of decades it has become necessary for our agricultural outlook scientists also to predict governmental decisions affecting agriculture. No one has yet developed a satisfactory basis for making such predictions. It is doubtful if anyone will succeed in doing so. Indeed, it is doubtful if even those who are responsible for making such governmental decisions can far in advance accurately predict what their own decisions will be.

The increasingly direct role of Government in agricultural price making and marketing has introduced a new non-economic factor in the forecasting equation. This factor will continue to grow in relative importance as long as Government participates so directly in economic decision making and price setting.

As long as the Government owns such huge stocks of foodstuffs, the Department of Agriculture will be a prime target for every person and every agency seeking free food. The Department of Agriculture tends to become a "relief" agency. It is besieged constantly for grants of easy money or free food.

It is understandable why this is true. Hungry people, and agencies working with hungry people, simply cannot condone public owned surpluses, even though their release might displace a substantial quantity of sales that would otherwise be made through regular commercial channels, and thus create the need for further governmental purchases. Need for assistance is a relative matter. It is usually more apparent when there are prospects it can be satisfied easily.

It is unfortunate that a growing number of people now regard the Department of Agriculture primarily as a relief agency. If this trend continues, care must be exercised to safeguard the Department's traditional functions of scientific investigation, education, regulation, and technical assistance for agriculture. And the trend will continue so long as the CCC is so heavily in the food business.

In recent years agriculture's public relations with the non-agricultural sector have been deteriorating. This situation is not helped by the continuing drain on the Public Treasury which results in the accumulation of large stocks of foodstuffs withdrawn from current consumption.

A final harmful result of the government purchasing so much agricultural products is the effect on private initiative itself. It's so much easier to sell to the government for a guaranteed price than to go out and seek one's own market.

Salesmanship Must Be Reviewed

Everyone agrees that aggressive marketing is one of agriculture's big jobs today. This is a job calling for full teamwork among producers, processors, distributors, and government. You will note I purposely listed government last. This is not to infer that we in government regard our contribution lightly. We don't.

It is the firm policy of the present Administration in the Department of Agriculture to give high priority to marketing work. Indeed, the subject of marketing, in all of its important phases, is now receiving greater emphasis in the Department of Agriculture, than ever before. The Department is concerned with both the domestic and the foreign flow of products that originate on our farms or that compete with our own production. The scope of this work has been broadened very considerably and the tempo of activity has been stepped up greatly to expand market outlets and to meet other pressing needs arising out of a productive capacity so greatly expanded during the War years. In all of this we are moving forward with the realization that if we are to make full use of our vast capacity to produce, we must look to the marketing system to provide the means and the incentives needed to move the products from our farms into the hands of consumers at home and abroad.

But let's not look primarily to government to do the marketing job. It is our firm belief in the Department of Agriculture that the basic responsibility for doing the marketing job must always rest squarely in the hands of private enterprise. The role of government in marketing is to do research, to regulate practices, to render service, and to help private enterprise do a better job.

Government can assist in removing some of the roadblocks in the pathway of more effective marketing. It can be a junior partner. As a catalytic agent, it can stimulate desirable action. However, the private marketing system is now, and must always remain, the first line of assault.

The marketing job we face calls for the highest type of leadership and imagination in what someone has recently described as "The Lost Art of Selling." We have recently come through a dozen war and postwar years when an insatiable market for nearly everything helped us to grow dull as effective salesmen. We need to dust off again the book we studied years ago entitled "Principles of Effective Selling."

We need to learn again that good selling consists of something more basic than high pressure propaganda, more convincing than clever cliches, more appealing than multi-colored slick magazine pages.

The kind of selling needed today is not that easy. It calls for putting your imagination and your ingenuity to working overtime. It calls for aggressively seeking out and also expanding existing markets for your product. But if you stop there, you're lost. The job calls for adapting your product to the rapidly growing and changing market in this great land of ours. You must go still further. Your research and development division must discover new products, and then develop a market for them. You must always have a product and a service that are worth more than the price tags you put on them.

You must be dynamic enough to discard the old and grow with the new. You live in the most rapidly changing economy in all history. Science and technology are on the march. You'll have to run like the dickens the next decade just to keep abreast of the new developments in production, in merchandising, and in consumption. You'll have to sprint to keep ahead of them.

What We Must Do as Dairy Food Salesmen

I would like to list six general suggestions that may be helpful to some of you. Your own list would no doubt differ from this, but here's where my thinking leads me. If my list stimulates your thinking, its purpose has been served.

(1) **Get an idea of the size of the job you face.** When viewed in abstract terms, our present dairy surpluses are frightening. When viewed in relative terms, it is apparent that per capita milk consumption would need to be increased only slightly to absorb current production and gradually work off our surpluses. For example, fluid milk consumption in our country now averages about 22 pints per capita, or 44 glasses, per month. That is only about three-fourths of a pint of milk daily per capita. If this were increased by only five pints, or ten glasses, per month, the surplus would gradually disappear. Butter consumption last year averaged 8.6 pounds per person. If this were increased only about two pounds, the production and consumption would be in balance.

(2) **Boost your product at every opportunity.** Everybody in the dairy industry knows the story of nutrition, palatability, healthfulness, and wide usability of dairy products. Teach your salesmen to carry this story to their customers.

Dairy products are a very economical food. Before the war an industrial worker in America had to work 30 minutes to earn a pound of butter. Today he works only about 23 minutes for the same product. Before the war this same worker spent 11 minutes earning his quart of milk. Today he earns it in only eight minutes. Very few consumers understand this is true. Recently a friend of mine delivered a long tirade on the excessive price he was paying for milk delivered on his doorstep. At 22 cents a quart he felt he was being robbed. After he had lectured me for a time, he walked around the corner and bought a glass of beer for 20 cents. That cost him 54 cents a quart by the time he blew the foam off the stuff. But that didn't seem too expensive to him. Then he walked across the street and bought a coca-cola for a nickel. That cost 23 cents a quart. But he didn't object to that, because somebody had spent millions of dollars teaching him that "the pause that refreshes is worth a nickel." But to him 22 cents for a quart of good wholesome, palatable, healthy, nutritious milk was robbery! Of course not! It was the cheapest thing he bought all day. Many of us in the food distribution industry have done a relatively miserable job of telling our customers about the real bargain they get in food.

(3) **Get a vision of the great American market at your doorstep.** One of the great "surpluses" we produce in America is population. In the last decade our population has increased over 20 million people. That's one and one-third times the whole population of Canada. Within the next two decades our population may exceed 200 million people. This means a steadily expanding market, even at present per capita consumption rates.

The per capita purchasing power of our people will continue to increase steadily in the decades ahead. This means a higher standard of living for all of us. Our people can afford still better diets than they have now if imaginative merchandising among food distributors stimulates their potential buying capacity. We can afford a higher quality diet in the years ahead. This means per capita consumption of dairy products should rise.

(4) **Concentrate on your customers—not on the Government.** There is a growing tendency for both producer and distributor organizations to concentrate their energies on convincing the Government that Federal milk marketing orders should be adjusted thus and so, that price support activities should take this direction or that, that Government-owned dairy stocks should be managed thus or so. It appears sometimes that both producers and processors place so much importance on these activities that they neglect the all-important job of "selling milk to people." In the long run it's people—not Government — that consume dairy products. Likewise, in the long run, it's people—not Government—that determine price and income levels for the dairy industry.

(5) **Preserve the free competitive marketing system.** We have in America a privately owned and operated food distribution system equaled nowhere else in the world. It has its imperfections, but it still turns in an amazing performance. As a matter of national policy, we are committed to the preservation and strengthening of that system.

The free marketing system will be in danger if Government price manipulation continues to grow. It is now within the power of Government, either wittingly or unwittingly, to place economic pressure on whole groups of producers and processors, or to favor other groups of producers and processors. Through its pricing and sales programs, Government can shrink or expand consumption. It can squeeze consumers out of the market, or bring new consumers in.

A government heavily involved in commodity ownership can easily by-pass the private marketing system. The present Administration is determined not to do this. However, it would not be difficult to do so. A change in administrative philosophy at the top level of Government could easily reverse the present policy.

(6) **Support research and market development.** We live in an era of the most rapid scientific and technological change in all history. This is especially true in the field of marketing and distribution.

The economic environment in which you operate changes constantly. Each of you should ask frequently, "Am I changing and are the institutions I represent changing so as to make a maximum contribution to the changing environment in which we must operate?"

Aggressive and imaginative research is the medium which will keep you and your company in the vanguard of this rapidly moving procession. You should frequently ask yourselves in all seriousness whether you and your company **really** believe in the private competitive marketing system.

Are you efficient enough and progressive enough to take your chances in the relatively free competitive structure in America? Or do you find it easier to relax in the warm sunshine of a governmentally guaranteed market?

If our great dairy industry can answer these questions in the affirmative, and at the same time chart a positive course toward more effective merchandising, then our private marketing system will have justified the faith we now repose in it.

Grindal Director

The election of Herbert W. Grindal as a director of Cosden Petroleum Corporation has been announced by R. L. Tollett, President. The new director succeeds B. H. Roth who retired from the board on account of his health. Mr. Grindal was a general partner in the New York investment firm of Reynolds & Co. for 20 years and is now a special partner in that firm. Prior to this association he was with Lehman Brothers, and earlier he had been financial Secretary of the American Fore Insurance Group.

Herbert W. Grindal

With H. Hentz & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Mario S. Lopez has been added to the staff of H. Hentz & Co., 9680 Santa Monica Boulevard.

Joins E. F. Hutton Co.

(Special to The Financial Chronicle)

FRESNO, Calif. — H. Wesley McAden has become affiliated with E. F. Hutton & Company, 2044 Tulare Street. He was previously with Dean Witter & Co.

Hannaford & Talbot Add

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Claude H. Adams has been added to the staff of Hannaford & Talbot, 519 California Street.

Three With Jamieson

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William J. Cecil, Foy A. Farris, and Jue L. Kern have become connected with H. L. Jamieson Co., Inc., Russ Building.

How Bright Is the Economic Future?

By ARTHUR A. SMITH*

Vice-President and Economist, First National Bank in Dallas, Texas

Maintaining the mild recession is over, former Professor of Economics cites reasons why from now on there will be improvement in business conditions. Looks for continued heavy defense spending, and concludes as long as America remains a nation of free people, there will be fluctuations in business, but it is not good sense to believe any longer that violent economic troubles such as we had in the 1930's are inevitable.

On Nov. 2 most of the country went to the polls in another manifestation of American democracy in action. Not long before that, people behind the Iron Curtain had an election too. What a difference.

Dr. Arthur A. Smith

When we went to the polls, we had a choice. It might not have been the best possible choice, but it was a choice. Our two party system gives us a choice.

People behind the Iron Curtain had no choice. There was only one party on their ballots—only one way they could vote. To hold an election under such circumstances is truly a farce.

Thousands of us in Dallas are elated that for the first time our Fifth Congressional District (which is made up of Dallas County) elected a Republican. We are elated because we see hope of having two strong parties for the first time. To take such a position does not necessarily make me a Republican. Good citizens of both parties realize how vital it is to the preservation of precious democracy that there be a two party system.

Government always must give some men power over others. A **democratic** government bestows such power only by the people's free will; and it may be taken away in that manner. When power is gained through any other process and is retained by any other means, democracy simply does not exist.

Democracy demands responsibility from those to whose power it consents. Every group that owns power without corresponding responsibility is a menace to democracy. Any ruling group not subject to control is tyrannous.

A prime essential of democratic structure is that it postulates the free organization of opposing forces. The right of opposition is an inherent part of democracy.

Opposition is not tolerated in Russia. Only one party is allowed to exist. There is, therefore, no established means of maintaining responsibility of those in positions of power. There is no opposing party to restrain authority. The people have no choice and cannot consent of their own free will to the authority that governs them.

In our society no fundamental is violated when by democratic means we regulate ourselves. It is regulation by undemocratic authority that we fear.

I did not plan originally to devote any time to the eletcion—but it is a timely topic and a significant one. To me, the outcome is not at all discouraging. I seem to sense in it that the American people want neither extreme reactionary government nor extreme leftist government. I do not share the fears of some people that the Administration will not be able to function properly with a Democrat House and such a close Senate.

I believe that we have a President who will find little difficulty in getting along with Congress—because he himself is not an extreme person. And we have already observed that his program has been supported on many occasions by Democrat members of Congress.

During the campaign, much was made over the economic recession—and I would like to devote most of my remaining time to it.

We have a mild recession—very mild one. For political effect, the party out of power tended to magnify the recession. At no time was there anything that could be called alarming or serious in the slight economic reaction. Any-one viewing it with calm and deliberation might very easily have seen in it something to be thankful for—the wonder is that the reaction to the cessation of hostilities in Korea did not have greater depressing force.

The Recession Is Over

Now I think we have seen the end of the recession—it is over! Further, there is much to support the hope and reasoned belief that the economy will not merely maintain its present high levels but reach gradually toward new highs. Growth, slow but sound, in incomes and in real wealth is decidedly more of a prospect than is a further decline.

It is impossible to pinpoint in time the start of the recession and its termination. A rough approximation generally accepted, is that the economy was in a decline by the third quarter of last year, and that the decline had terminated and leveled off by the end of the second quarter of this year. It lasted, then, one full year.

It now seems evident that the recession was a liquidation of the Korean boom. It was not a manifestation of an inherently dangerous reverse flow in our free enterprise system. The recession was a recession in defense expenditures, in liquidation of inventories built up on war-induced demand, and war-inflated agricultural prices. The transition from war to relative peace has been much more painless than we had a right to expect. Our experiences in the past year augur well for the future.

In the latter half of 1952 and on into 1953 there was considerable pessimism regarding the economic consequences of a liquidation of the Korean "police action." There was much talk and many a journalistic essay upon the "spiral of falling payrolls, decline in demand, liquidation of debt, fall in sales," etc. Such spiral has not materialized. The confidence of the nation in its abilities has been the paramount factor in this happy result. We could have talked ourselves into a depression but did not.

This view that we could talk ourselves into a depression was widely derided last year. Plainly, most of the derision came from those who would have benefited politically from a recession and/or those who entertained a mechanistic view of the economy—a

Continued on page 36

*An address by Dr. Smith before the Conference of Bank Correspondents, First National Bank in St. Louis, St. Louis, Missouri, Nov. 16, 1954.

THE MARKET ... AND YOU

By WALLACE STREETE

The Mt. Everest of the stock market—the 1929 peak of the industrial average — was all but scaled this week as the industrial issues resumed their forward push after resting for a couple of sessions.

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The comparison is far from being an absolute one, however. A handful of blue chips have done the work. And since they are the industrial average, the picture of a market at historically high levels is a misleading one. No one is more cognizant of this, probably, than those investors in Chrysler above 90 only a couple of years ago who still hold it in the 60 bracket today.

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International Business Machines continues to feature the wide-moving group and the feat of putting a 26-point advance one day on top of a 10-point improvement the day before was by far the most extreme swing. But percentage-wise the five point gains in a single session by issues such as Reynolds Metals, Zenith Radio and Western Union were just as violent.

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Stimulating Dividend Action

Some of the wider moves of the week were more logical and linked largely with dividend action. Such a one was Eastman Kodak which was favored on the extra payment plus stock and joined the sprinters. It was the more remarkable in this case because Eastman has been a sedate issue since its 5-for-1 split of 1947. Last year and the year before its range over the entire 12 months was around half a dozen points. This year's area was a bit wider but still under 17 points. So its one-day improvement to new high territory for all time on a gain of past four points was almost spectacular.

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It was a similar story with Beech-Nut Packing in the opposite direction. This also was one of the more neglected issues around and last year the entire swing was over a range of a mere four points. The range this year was less than seven points until the dividend was trimmed a dime. In one session it lost more than three points at worst, emerging in dour prominence on this week's list of new lows.

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Cement issues generally were able to keep their popularity alive and here, too, there apparently are high expectations for favorable dividend action. Penn-Dixie Cement not only ran into a roadblock but was even clipped a bit sharply when the anticipated split didn't come along. The rest ignored this solo performance for the most and General Portland was able to join the multi-point sprinters even while its companion was being roughly handled.

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Rough Going for the Oils

Oils had a rather rough time of it, some of them showing an ability to back up with a bit more violence than other divisions. A poor earnings statement kept Cities Service on the laggard side and definitely ended its sojourn just around its high for the year. Socony showed signs of a bit of pressure now and then along with Texas Gulf Producing and Deep Rock Oil which had the added handicap of an omitted dividend with a partial stock exchange for one of the company's holdings as a sop.

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Pacific Western had a brief stay in the spotlight when a large foreign order on the buy side came to market and resulted in its starting off the week on a belated opening on a 21,000-share block, which is not its usual manner. It, too, was able to join the issues that moved by a handful of points per session. But the enthusiasm wore off rather quickly and the stock faltered back toward the starting point shortly afterward.

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For the rails it was again the old pattern of ignoring the demand rampant among the industrials. The carrier index, although flirting with its 1954 top, has shown no disposition to accompany the industrials through to quarter century and all-time highs. The rails are so far below even their 1930, not to mention the 1929, peaks that many months' work are ahead if these are to be tested. This, again, is another illustration of the fact that although the industrial average is in historically high ground, the general market certainly is not.

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Utilities Neglected

Utilities, if anything, have shown a disposition to drag their feet. But there was more neglect around in this division than any outright pessimism. The fact is, however, that this group has yet to exceed the old high posted in August despite the somewhat wild, post-election bidding for industrials. The utilities, like the rails, are nowhere near historic peaks and are less than half of the 1929 standing. Apart from this further divergent action in a market now being described as "highest in 25 years," the utilities have undergone perhaps the most complete organizational change of any of the indices. A quarter century ago the components were largely the mammoth holding companies later broken up by fiat. Today the issues that comprise the index are operating companies.

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Steels continue to give a good account of themselves as all signs indicate that their summer doldrums are over. Youngstown has been on the quiet side while its companion in the merger that ran into government opposition, Bethlehem Steel, has continued as a wider moving issue, joined by National Steel. U. S. Steel also has been moving in wider-than-usual arcs, with new highs common in the division.

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A Newcomer to Strength

Something of a newcomer to the ranks of the popular stocks has been Diamond Match which erupted into new high ground on a rather fat one-day jump. Largely because, at least statistically, it is one of the backward issues, Diamond Match suddenly was culled out by several of the market commentators of standing. Here is another case against the "highest-ever" school in that in 1952 and 1951, and many, many points lower in the industrial average, this issue sold some 25% higher than its recent standing.

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Aircrafts were able to swing with the market. Despite the fact that, particularly in the case of Douglas, the good news for the moment seems to be behind, they did well on a couple of occasions. But the group generally had been sold down enough so that it had few candidates for the new highs lists.

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Like the aircrafts, the chemicals did little toying with their previous peaks, and all too often went divergent ways even within the division. American Potash was one of the better performers in the group largely because of favorable dividend action. DuPont, while not showing any great enthusiasm over the yearend dividend, nevertheless didn't show any special chagrin that too-high hopes had been dashed. Allied Chemical, which had something of a period of weakness recently when the earnings report was issued, ran out of the rebound strength and was back on the easy side more times than not.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Connecticut Brevities

The Pratt & Whitney Division of **United Aircraft Corporation** has opened a new plant at South Windsor. The 97,000 square-foot building will be used for research. An Air Force announcement indicates that, since July 1, Pratt & Whitney has received orders totaling $72,000,000 for engines and parts.

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The Connecticut Telephone & Electric Corp., subsidiary of **Great American Industries** has received a government contract for $1,545,100 for central station equipment.

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Perkin-Elmer Corporation, Norwalk, which produces specialized optical instruments, has purchased a controlling interest in **Bodenseewerk**, a German optical company. The new subsidiary employs about 200 and produces optical and aircraft testing instruments. In the future, **Perkin-Elmer** products may also be made at the German plant.

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The assets and properties of the **American Paper Goods Company**, one of the leading manufacturers of paper containers, have been purchased by **Continental Can Company**. American has its main plant in Kensington, Conn., which employs 500 and a branch plant in Chicago, which employs 300. Present plans call for a continuation of the operation of the two American plants.

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The **E. Ingraham Company**, which has been manufacturing clocks in Bristol for 123 years, has announced plans for its first branch plant. The new facilities, to be erected at a cost of about $300,000, will be located in Elizabethtown, Ky. It will produce timing devices for electrical appliances and will employ 100 to 150 workers. Present employment at Bristol is about 1,000.

A group of 11 of the larger electric utilities in New England have formed **Yankee Atomic Electric Company** with the goal of construction of an atomic electric generating plant to serve New England. Among the members of the group are **Connecticut Light & Power, Connecticut Power**, and **Hartford Electric Light**. It is believed that because of its relatively high cost of other fuels, the New England area will be one of the first where atomic energy will be competitive as a fuel for generating electricity.

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Zoning changes have been made by the planning and zoning officials of the town of Fairfield to permit **Connecticut Tool and Engineering Company** to build a new plant to replace its present plant in Bridgeport, which is in the path of the new Greenwich- Killingly expressway.

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The **State of Connecticut** continues to lead the country in the per capita receipt of military contracts. Since July 1, 1950 a total of $4,734,620,000 in prime contracts has been received, or a total of $2,359 per person, compared to the State of Washington in second place with $1,791 per person. New contracts awarded during the second quarter of 1954 were for $432,616,000, an increase of about 5% over the corresponding 1953 period.

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Two of the states larger electric utilities have recently completed private placement of bond issues. **The United Illuminating Company** sold an issue of $9,000,000 30-year 3% Debentures, 1984 Series, and **The Connecticut Power Company** has placed $10,000,000 of First and General Mortgage 3⅛% Bonds, Series G, due Nov. 1, 1984.

Elected to Office By NASD District 13

The following were elected by District 13 of the National Association of Securities Dealers to take office on Jan. 16, 1955:

Earl K. Bassett

Board of Governors: Earl K. Bassett, W. E. Hutton & Company.

District No. 13 Committee: Edgar J. Loftus, W. C. Langley & Company; Ralph C. Sheets, Blyth & Co., Inc.; John S. French, A. C. Allyn & Company, Inc.; W. Enos Wetzel, W. E. Wetzel & Company.

Marshall Morse With Orvis Bros. & Co.

Orvis Brothers & Co., 14 Wall Street, New York City, members of the New York and American Stock Exchanges and other principal exchanges, have announced that Marshall S. Morse has joined the firm as specialist in municipal bonds.

Mr. Morse was formerly with McLaughlin, Reuss & Co., Singer, Deane & Scribner, and Stein Bros. & Boyce.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Sherman H. Alder and Adrian R. Van Voast have been added to the staff of Bache & Co. 96 Northeast Second Avenue.

Business Cycle Still With Us!

Norris O. Johnson, Assistant Vice-President of the National City Bank of New York, tells the financial conference of the American Management Association bankers will not believe the business cycle is gone forever, until they see it. Says a clear inventory cycle is now taking a wide swing and depressing bank loan totals.

In an address in New York City at the annual financial conference of the American Management Association on Nov. 4, Norris O. Johnson, Assistant Vice-President of the National City Bank of New York, reminded his audience that though some people are saying the old-fashioned business cycle is gone forever, bankers will believe that "only when they see it."

Norris Oliver Johnson

Right now, Mr. Johnson pointed out, a clear inventory cycle is taking its wide swing and depressing loan totals. To say when money rates will show a real firming, he told the group, "you can take your own business projections. Money rates lag behind fluctuations in production. Federal Reserve policy also tends to lag behind."

The best time to borrow long-term money, according to Mr. Johnson, is when business is slow and the Federal Reserve System has a full-scale easy money policy in force. The year 1954 has fit this description, and many corporations, states, municipalities, and mortgage borrowers have been taking advantage of the opportunity.

The Federal Treasury, on the other hand, has deliberately been passing up the chance to fund debt cheaply, Mr. Johnson said, acting on the principle that correcting the structure of the public debt at minimum cost is less important than giving a maximum encouragement to capital investment and letting the whole flow of long-term funds seek and find other outlets. This combination of a vigorous easy money policy by the Federal Reserve, a policy of total abstinence from the long-term market by the Treasury, and a 10% drop in short-term business borrowings from banks has put the cost of long-term money to corporations down around 3% for prime names.

Some people, Mr. Johnson reported, have predicted that the force of savings flow would keep pushing interest rates down for decades ahead, seeming to doubt whether, as a long-run matter, we can find profitable uses for our savings. "For myself," the speaker declared, "I work on the assumption that the lowest interest rates of the 20th century are behind us."

Mr. Johnson expressed disagreement with the view that the present — or some future — Administration will set out to reattain a 2½% or lower long-term borrowing rate. "Bond price rigging has gotten a bad name, as witness the fact that the Federal Reserve System is leaving the long-term market strictly on its own. It seems doubtful to me that any Secretary of the Treasury will wish to reawaken the controversies of 1948-51 by demanding of the Federal Reserve fixed price supports for government bonds."

What has kept interest rates from falling even more than they have has been the elasticity of supply of mortgages and municipal and corporate securities, according to Mr. Johnson. Except by entering the mercurial commercial paper market, few corporations have been able to break the 3% rate on any of their borrowings. The basic reason why this rate has held out is that lenders have pushed harder and successfully into other areas of investment to sustain average earning power of 3% or better.

In forecasting the future trend of interest rates, Mr. Johnson said, the problem becomes one of deciding how long the construction boom can hold out. Running out of credit is not at present a serious concern of the housing market or of the construction industry. However, limits as to needs are a different matter.

"I, myself, am satisfied," the speaker declared, "that we can make use of a million or so housing units a year rather indefinitely — provided the funds are there to pay for them. We are living in an era where people's minds are fixed on new and better housing and I see nothing at this time to break the momentum."

Housing is not the only source of demand for long-term construction money. Roads and bridges, schools and public buildings are deficient. Expenditures for highways have been rising year by year and "so far as we can see now, they are going to keep rising for years ahead."

Plant and equipment outlays by corporations are running around $25 billion a year; they are financed to the extent of perhaps one-fourth by new bond and stock issues. Although 1954 plant and equipment outlays are falling short of 1953, and 1955 may run lower, the downward drift is modest, according to Mr. Johnson, when one considers the wide swings to which such outlays are subject and the discouraging character of business reports early this year. "The new tax law joins with favorable securities markets, the accelerated pace of technological progress, and optimistic projections of long-term national growth to support plant and equipment outlays. It is a rare company that does not have use for capital holding the promise of returns which make the cost of funds seem small."

Barring contingencies now unforeseen, Mr. Johnson concluded, "it is hard to visualize a collapse of demand for credit. I do not think that overabundant national savings will go to waste from nonuse. Rather, availabilities will have to limit how much we can do. The real dangers are that construction will develop a momentum that will be hard to check, place undue demands on the capital markets, and produce an overload of debt that cannot be carried through adversity. These are matters prudent lenders and borrowers keep in mind, even while entertaining the hope that we may have mastered the art of avoiding major depressions and deflations."

Andre Smolianinoff Is With White, Weld & Co.

White, Weld & Co., 40 Wall St., New York City, members of the New York Stock Exchange, have announced that Andre V. Smolianinoff is now associated with the firm. He has recently been with Francis I. du Pont & Co. and prior thereto was a partner in Cohu & Company.

Paradox of British Balance of Payments

By PAUL EINZIG

Pointing out the apparent inconsistency between the behavior of the British balance of payments and the relative trade trends in Britain and United States, Dr. Einzig ascribes this to the very moderate rise in prices in England. Says British price level is now on a much sounder basis than year or two ago. Sees confidence in moderating outflow of gold.

LONDON, Eng.—It took a long time for politicians to realize the elementary fact that, if there is inflation in one country while another country is experiencing a recession, then the former is liable to develop an adverse balance of payments. The entire economic policy of the Labour Government of 1945-1951 was built on ignorance or disregard of this principle.

Dr. Paul Einzig

Hence the inflationary policies pursued during that period, interrupted from time to time by emergency measures that had to be taken as a result of the recurrent balance of payments crises in 1947, 1949 and 1951. Even some leading Socialist economic experts denied the existence of a close connection between domestic economic policies and the state of the balance of payments, because, if they had admitted it, they could not have escaped the unpopular conclusion that inflationary over-full-employment and welfare state policies must be moderated.

It is only with the utmost reluctance that politicians came to admit during the last few years that the position of Britain's balance of payments and gold reserve depends on the relative economic trends in Britain and other countries, primarily the United States. Under the compelling force of experience it came to be recognized that, should there be a recession in the United States, Britain could not afford to maintain a "creeping" inflation without risking a dangerous depletion of the gold reserve.

Unfortunately, now that this rule has at last been learned, there is a danger that it might be unlearned once more as a result of the present paradoxical behavior of the British balance of payments. In spite of the moderate recession that has been going on in the United States, and in spite of the moderate inflationary boom that has been proceeding simultaneously in Britain, the British balance of payments has been holding its own remarkably well. It is true, during the summer and early autumn sterling showed some weakness and the gold reserve declined. But during October sterling became firmer and some of the gold lost in the third quarter of the year was recovered. There is no sign of a balance of payments crisis calling for drastic emergency measures, whether in the form of import restrictions or higher interest rates.

Gratifying as this state of affairs is, there is a danger that it might give rise to complacency. Politicians may now be inclined to argue that, after all, it is possible to eat our cake and keep it. This will make it all the more difficult for this government, or the next, to take timely measures if and when a discrepancy between the trend in Britain and the United States should lead to heavy losses of dollars. It is important, therefore, to try to find an explanation of the apparent inconsistency between the bahavior of the balance of payments and the relative trade trends in the two countries.

One of the reasons is that, notwithstanding business boom and creeping inflation, the rise in prices in Britain has been very moderate during the last 18 months or so. It amounted to a mere 3%. Its extent was not sufficiently pronounced to enable American exports in general to outprice British exports in foreign markets. The position differs, of course, from industry to industry. But it seems that generally speaking the British price level has not risen out of equilibrium with the American price level.

It must also be borne in mind that, at its slightly higher figure, the British price level is now much sounder than it was at its lowest figure a year or two ago. Then it was largely artificial, as a result of the consumer subsidies which tended to stimulate demand. Most of the subsidies have now gone. For better or for worse, "rationing by the purse" has been fully restored. This means that the consumption of necessities is no longer artificially stimulated. Although their total demand has not declined following the increase of their prices—indeed in some instances actually more is now consumed — consumers have to pay the full price. As a result they have now less purchasing power left over for other purposes.

This does not mean that there has been a decline of demand for goods other than the de-controlled necessities. What it does mean is that owing to the higher prices of necessities, the increases of wages have not resulted in such an increase of consumers' demand as they would have if the subsidies were still in force. A large part of the additional wages is absorbed by the higher prices of necessities, and less is available for increasing the inflated demand for other goods and services.

It may be objected that the rise in the prices of necessities, due to de-control, have been largely responsible for the wages demands. In the light of the British experience of 1953-54 this argument is quite unconvincing. For in spite of the almost complete absence of a rise in the cost of living, the Trade Unions have been pressing for wages increases to the utmost limit of their bargaining power.

Another explanation is that supplies of British goods are now more plentiful than they were during early postwar years, when any increase of domestic demand through an inflation of consumers' purchasing power or through over-ambitious capital investment, was bound to reduce the inadequate surplus available for export. In most lines there is now enough both for satisfying the domestic demand and for exporting. Delivery dates in industries producing capital goods have become much shorter. The moderate degree of inflation that still exists in Britain has not been sufficient to mop up supplies which would otherwise have been available for export. Needless to say, should inflation become accentuated, a stage is bound to be reached at which domestic demand would once more divert supplies from export trade. But so far that stage has not yet been reached. The relatively moderate degree of British capital investment, which has received so much adverse publicity in recent months, has been a blessing in disguise from the point of view of the balance of payments. For, in spite of growing competition, there is still a good scope for expanding the export of capital equipment.

The way in which British exporters have responded to official exhortations to maintain and intensify their export drive in general and to the Dollar Area in particular has also been helpful. With domestic demand booming, there is undoubtedly a strong temptation for many industries to take the line of least resistance by working for the home market instead of facing all the difficulties and complications connected with export business. But, generally speaking, businessmen have resisted this temptation and have kept up their efforts to maintain and increase their overseas markets.

There is always a considerable delay in the publication of the balance of payments figures of Sterling Area countries other than the United Kingdom. But even in the absence of adequate statistical evidence, it seems reasonable to assume that the rest of the Sterling Area has at least held its own. Raw material producing countries of the Sterling Area may even have contributed appreciably to the increase of the gold reserve during the first half of 1954.

Another difference between the present position and that of 1947, 1949 and 1951 is that there has been no sign of any wave of distrust in sterling. During the summer sterling weakened as a result of seasonal buying of dollar goods and of the withdrawal of foreign balances sent to London in a mistaken anticipation of an early return to convertibility. But even during this adverse spell the forward rate of sterling was well maintained. There was no speculative flight, no delaying of payments for British exports or postponing of orders, in an expectation of another devaluation. Indeed the subject of devaluation was barely mentioned at the time when sterling went to a discount. Confidence in sterling helped in moderating the outflow of gold.

Politicians and others, before inferring false conclusions from the present relative steadiness of sterling, should ponder over the above list of special circumstances that explains the paradox of the British balance of payments in 1954.

Mann & Graham Join Staff of Doremus Co.

William T. Mann, formerly with Batten, Barten, Durstine and Osborn, Inc., has joined Doremus & Company, 120 Broadway, New York City advertising and public relations firm, as radio and television director. Prior to his BBD&O affiliation, Mr. Mann was with Benton & Bowles, Inc. in the radio and television department.

Edward Graham has joined the agency's copy department. Mr. Graham has been with United Business Service as investment consultant and financial writer. He was formerly a business and commodity writer for Babson's Reports and worked on trusts and taxes at the Boston Safe Deposit and Trust Co.

Treasury Vault Uranium

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Treasury Vault Uranium Corporation is engaging in a securities business from offices in the Symes Building. Officers are Ben L. Wright, Jr., President; Robert R. Hale, Vice President; and David J. McKee, Secretary-Treasurer.

Recession and the Forces Working for Recovery

By ARTHUR R. UPGREN*
Dean, The Amos Tuck School of Business Administration, Dartmouth College

Dean Upgren first analyzes the recent economic recession and states that the key to the decline in business activity has been government expenditures for defense. Reviews the forces working for recovery and stresses the favorable effect of tax reductions on business and increased spendable income. Holds we will not have any more deep depressions in the discernible future, and sees an upturn in total industrial production in third quarter of 1954.

The economic recession of 1953-54 is now well defined. We can measure its severity; we can diagnose its probable cause; and we can evaluate the policies which have helped make it the mildest recession in many years.

Arthur R. Upgren

First, as to the size of the recession. In the second quarter a year ago, when the output of the American economy was at its all-time high, the annual rate of gross national production was $370 billion. In the first and second quarter of this year the total amount of production was at the annual rate of $356 billion. Thus we observe that the recession has amounted to $14 billion in total gross national production. This is equal to about 3¾% of the earlier record rate of production. In contrast, the 1948-49 recession amounted to approximately 4¼% on total output, and the 1937-38 recession to about 6⅔%. For the years 1929-1933 the decline was 45%, and I am happy to say that such a decline is impossible in the discernible future. I shall explain why a little later.

Our measures of national economic performance are now so readily available that we can, and we do, diagnose the causes of recession. By analyzing the components in our gross national production or expenditures, we can determine where the declines have occurred. When this is done—and I have calculated it on a good many occasions—we find that in the past 15 months the Administration has reduced the annual rate of defense expenditures by $11 billion, or from $54 billion to $43 billion. This accounts for 75% of the total decline in Gross National Product since the second quarter of 1953. The other major cause of the decline is the slowdown in the accumulation of business inventories. A year and a quarter ago when the economy was running at its record high, businessmen were accumulating inventories at the rate of slightly more than $5 billion a year. More recently businesses have been diminishing or liquidating their inventories by about $4 billion a year. Thus we find here a decline in the rate of investment in this particular component — inventory —of about $9 billion.

I am inclined to think, though other views may be advanced, that the decline in investment in inventory has been largely caused by the reduction in defense expenditures. We know, for example, that as 1953 opened, the Federal Government was ordering and purchasing military hard goods at a rate of about $20 billion worth a year. In the first quarter of this year such "ordering" was cut back to the low rate of $2 billion. The large reduction in the rate of ordering inventories was necessary to trim defense expenditures by $11 billion.

When defense ordering is so rapidly reduced it is natural that business firms will not reorder raw materials nor accumulate goods in process. It is true of course, that there may be other causes of inventory reduction. But one only need look at one defense goods manufacturing company which had orders on hand totaling $67 million at the end of last year to see the impact of cutbacks in defense spending. In the final quarter of last year that company (The Bath Iron Works of Bath, Maine) was delivering finished goods at the rate of $38 million a year. New orders were coming in at the rate of only $2½ million a year. Clearly such a concern would be using up and exhausting all its inventories possible without any repurchase. Fortunately, this particular concern has since received, according to press notices, orders for the production of three destroyers totaling about $46 million.

The decline in defense spending also helps explain why Detroit and Pittsburgh are the two centers of severest unemployment. Detroit fabricates large amounts of defense goods, for which Pittsburgh makes the steel.

So we observe that we can account for an $11 billion decline in business activity from the direct reduction in defense expenditures, and another $9 billion decline from the reduction in business inventories resulting largely from reduced Federal spending. Thus, the key to the recession has been government expenditures for defense.

This total decline, you will note, adds up to $20 billion whereas we have measured the decline in Gross National Product at $14 billion. Why didn't GNP decline the full $19 billion.

The increased decline of $6 billion in the accounts — defense spending and business inventory—has been offset by a moderate increase in total construction, a moderate increase in state and local governmental expenditures, and a moderate increase in consumer's or family purchases for all consumption purposes.

How completely this recession has had its causes in the natural reduction of defense expenditures following the truce in Korea, is shown again by the fact that personal consumption expenditures in the first part of 1954 were 1% larger than they were during the first part of 1953.[1] The decrease in total expenditures of the economy for all construction is about 4% above the rate of such expenditures a year ago, and recently Dr. Miles Colean, one of the country's foremost construction economists at Washington, estimated that total construction in 1955 would be 5% above the record-breaking levels of 1954. State and local expenditures for all purposes, but primarily for highways, toll roads, schools and hospitals, are probably about 8% above a year ago.

The Forces Working Toward Recovery

This brings us to the present moment. What is happening to generate an upward movement in economic activity?

The forces working toward recovery and renewed expansion in the economy may be grouped under three headings: first, there are the automatic forces put into operation by our existing economic institutional arrangements; second, there are the forces which are generated by policies adopted by the Administration to stimulate the economy; third, there are the forces which find their origin in enactment of laws designed to create a climate to induce economic expansion. Let us look into examples of each of these forces.

I can point out two automatic forces which are spurring recovery. The first is the natural termination of inventory liquidation. As Professor Sumner Slichter has frequently pointed out, we have for more than a year been "selling more goods than we have been producing." This is a simple way of pointing out the relationship which exists between the rate of consumer family personal expenditures (this rate has been increasing) and the rate of investment in inventory (this rate has been declining). Inventories may be reduced in face of maintained or increased personal consumption expenditures of every kind. But then that inventory reduction can come only if we have a large reduction in the rate of production. What is now not produced, can be made up by goods supplied to consumers out of inventory.

Continued firmness of consumer personal consumption expenditures must necessarily bring a turn-around in the rate of investment in inventory. We observe this process at the present moment in the case of steel where output rates are increasing. These rates (now 72%) must necessarily rise above the rates earlier this year (62%).

A second automatic force in the economy is what I like to call the "automatic built-in flexibility of the American tax structure." That is the mouth-filling phrase we have used in my own seminar at the Credit School at Hanover. To give one rather simple illustration of it, suppose that your income is reduced by $1,000. If the taxes upon this portion of your income were at the rate of 40%, then the decline in your expenditures need be only $600 (because $400 of your total tax liability has been rubbed out). Thus we have in the record of inventories and in the record of our automatic declines in tax liabilities when there is a recession, two forces working toward minimizing the recession and toward turning the economic decline into an upward movement.

Next we may turn to policy changes which have now been made. The first conspicuous change was a reversal in our monetary policy in June of 1953 when the onset of the recession first became visble. In less than six weeks the Federal Reserve authorities increased the amount of banking reserves against which additional credit is issued, by almost $2,500,000,000. This was done in part of the extended purchases of government securities. The additional reserves of the commercial banking system then created helped bring about easier interest rates and encouraged adequate flows of credit for all legitimate needs. The second step toward enlargement of the banks' available reserves was a reduction in reserve requirements of banks. This second step released required reserves into the "excess reserve" category and thus placed the banks in a position to contemplate loan expansion at will. This action was extended again this year when an additional $1,500,000,000 of bank reserves were similarly further released from the "required" to the "excess" category. (Reserve ratios required of the banks were lowered in July.) Thus we are using the expansion of credit to offset the recession. (It is this easing of credit which naturally causes some concern to students of the problem such as Mr. Henry H. Heiman, Executive Vice-President of your National Association of Credit Men.)

Another force has been generated I hope rather automatically, by the reduction of taxation. I refer here to the end of the Excess Profits Tax and to the automatic reduction of 11% in our personal income taxes; both became effective on Jan. 1 of this year. By adding to the force of these two reductions the decrease in excise and other taxes, the total amount of tax reduction is placed at $7.4 billion.

In fact, the reduction in the personal income tax levy has been sufficient so that we have had a remarkable result: despite the decrease in gross national production there has been no decline in "total purchasing power" or what is called somewhat more accurately, "personal disposable incomes." It is common for those who deplore this recession to shout that we need an enlargement of purchasing power. But actually purchasing power has not declined at all but has grown in every month of 1954. It is true that the total of personal incomes before taxes has declined slightly since we have had reductions in the hours worked per week and some increase in unemployment. But the decline in personal income taxation has been larger. In fact, it has been large enough to convert a declining personal income *before taxes* into a slightly rising total of personal disposable incomes. This has been an extraordinarily fine adjustment in the operation of our economy. It came automatically because the taxes which were levied at the time of the outbreak of the conflict in Korea were scheduled for abandonment at the end of 1953.

In the case of business, the reduction in taxes due to the abandonment of the Excess Profits Tax has secured remarkable results. In the first half of this year as the *National City Bank Letter* showed on page 3 of its August issue, 447 corporations having total sales of more than $40 billion, experienced a decline of approximately 7% in such sales. Because their costs could not be reduced as rapidly, the total amount of their profit after all expenses *except taxes*, fell by 18%. Then the reduction in tax liabilities which came about partly because of the rate structure, but primarily because of the termination of the Excess Profits Tax levy, converted this decline in gross profits into an increase in net profits after taxes. This is successful fiscal policy indeed. I shall let you distribute the credit for it as you may wish between the Congress and the President who has advocated these reductions and some other reductions which became law later this year.

The reduction in corporation taxes resulting from abandonment of the Excess Profits Tax has amounted to about $2 billion. Without complete analysis some individuals might think of this as an undesirable outcome. But if even the workingman will contemplate that the industries of the United States are spending for new capital equipment of all kinds about $35 billion a year, he can perceive that the gain in productivity which is secured by virtue of this enormous continuing capital investment (better tools) can provide the basis for an enlargement of his wages very considerably in excess of the tax reduction which would have come to him from an increase in his tax exemption from $600 to $800 for each individual in the family. I calculate the increased income which would have come to families as a result of increasing this exemption to be about $40 or $50 per year. The rise in productivity of industry, however, by virtue of the maintained high rate of capital outlay can be of the order of 3 or 4% per year. This would be worth, to the worker, from $100 to $200 a year. Had tax reduction been secured only by the method of increasing personal tax exemption, there might have been adverse developments in capital formation which could have both cost many jobs and the prospect of continuing, though moderate, increases in wages.

Taking all the tax reductions together, estimated to have a value of $7.4 billion by President Eisenhower in his mid-year economic message, we find that practically all of the decline in defense expenditures has been offset by a decline in taxation.

Reduced Taxes Provide More Spendable Income

If this seems foggy we can state it in another way. The businesses and families of America have been provided with increases in their disposable incomes by virtue of tax reduction to allow them to purchase for their own civilian account, approximately as much goods as the government is no longer purchasing for defense production. Thus, to spur recovery, we are asking families and industries of America, in effect, to purchase voluntarily for their own use as much as they had to purchase involuntarily, for defense.

I think, buttressed by ample available credit, both industry and families will make such enlarged purchases. That is the way in which the families and the non-defense industries in America can expect to re-employ the workers displaced, unavoidably, by the reductions in defense outlays.

We owe the good fortune of these forces of reduced taxes to the extraordinary fiscal rectitude of the people of the United States in all the years since the end of the war and particularly in the years since the outbreak of the conflict in Korea.

May I submit a few figures to illustrate the point here. In World War I we financed by taxation approximately 33% of Federal Government expenditures. The result was we had heavy borrowings, inflation of credit, and an increase in the price level from 100 to 247 at wholesale.

In World War II there was slight but not as good improvement as we should have come to expect. In World War II we taxed for 46% of the cost of Federal expenditures. As a result, once again credit was inflated and expanded and there was inflation which again lifted the price level from 100 to 185.

Since the outbreak of the Korean conflict we have done substantially better. In fact, we have collected as much as $67 billion in taxes in a single fiscal year, thus surpassing the record of $47 billion of taxes collected by the Federal Government in the peak year of World War II. Since the outbreak of conflict in Korea, on a cash budget basis, we have collected, as I like to put it, almost 99 54/100% of total Federal expenditures. This has been done, in my opinion, because of the understanding of the damages of inflation; certainly we have not had to make as great a patriotic appeal to achieve this excellent result. We have certainly become fiscally literate.

As a result in the years since the outbreak of the conflict in Korea, the inflation at the con-

*An address by Dean Upgren at the Boston Credit Men's Association, New England Conference, Boston, Mass., Oct. 28, 1954.

1 It is true that the reduction in personal consumption expenditures for durable goods has been rather considerable. Similarly there has been a very slight reduction in family expenditures for non-durable goods and services. These two declines, however, have been more than offset by a rise in family expenditures for services of all kinds notably rent, housing maintenance, medical services, street service, transportation, etc.

sumer's price level and at the wholesale price level has been very moderate. The rise in wholesale prices has been 10% and the rise in the prices of consumers goods and services has been 15%. The larger rise in the latter price index has been partly caused by the release of some prices from restraints initially imposed during World War II. I refer particularly to the release of rents from stringent regulation. In addition, there are a number of increases in the cost of street surface transportation, certain utility services, and so on which also account for a modest rise in the cost of living.

The Federal budget has over all of the years since 1946 been well balanced. As a result we have been able to have tax reduction dollar-for-dollar with reduction in defense expenditures, without a substantial increase in the budget deficit.

We now may turn briefly to matters of policy which have led to legislation which has launched fresh forces to stimulate economic expansion. Here a list of legislation could be suggested. It would range from increased old age compensation, which contributes its share to income stabilization, on through many other items including the new loan arrangements for the purchase of existing homes or for financing of the purchase of new homes. These terms for housing have been improved and no doubt the expenditure for all residential construction will respond.

Finally, in the area of state and local expenditures the rapid rate of population growth has caused great increases in outlays for new schools and the discovery that super-highways and toll roads more than pay their own way has led to increased highway construction. I can perhaps underscore the attitude of consumers by saying that during a 7,000 mile motor trip in the west this summer I would have preferred to spend even more money for the use of toll roads upon which I enjoyed driving so much.

No More Deep Recessions

Before concluding I would like to answer two additional, but related questions. The first is: Can we have a really deep recession of the type of 1929-1933?

The answer is no, not for the discernible future; for this purpose I consider the discernible future extends at least to 1965. Others may then worry about economic conditions in subsequent years and indeed, some problems should be left for solution at future meetings of your association.

The reason we cannot have the deep decline is that severe depressions occur only when there is a collapse of the banking system and the money supply. My first introduction to Mr. Henry Heiman came on a date we remember well—March 4, 1933. Our joint appearance upon the program of the Credit Men's Association of the Northwest was celebrated by the closing of all banks on that date.

Other dates of collapse in the money supply would include 1921, 1907, 1893, 1873, 1857 and so on.

These collapses of the money supply cannot occur in the discernible future for a rather simple reason. It was given by Comptroller of the Currency, Ray M. Gidney, who reported shortly after the mid-year that the national banks of the United States, making up about five-sixths of all commercial banking resources, were 62% liquid. In my early days in banking before the formation of the Federal Reserve System, we were commonly about 7, 9, or 11% liquid, at best. When deposit withdrawals came at a later time in an amount, in the Upper Midwest, of 20 or 22%, the humane thing was to close the banks quickly, completely, and promptly. That was done, two-thirds of all banks in the State of Minnesota failed and were never re-opened. The share was higher in the Dakotas and Montana where 80% of all banks were lost. This cannot happen again because of the liquidity factor—and perhaps a few of you will choose to assign a small share of the credit to the Federal Deposit Insurance Corporation.

A second cause of great decline in economic activity can be the decline in expenditures of all kinds of consumers for durable goods and of businessmen for all kinds of capital goods and by families, of course, for housing.

These expenditures declined about 90% in the years from 1929 to 1933. Because all of these classes of goods are durable goods, their purchase is optional or postponable. In times of stringency outlays for durable goods and for "investment" by business can be very sharply reduced indeed. Yet in the past year we have seen the total expenditure for construction increased by about 4 or 5%, including the increase in residential housing. Total consumer expenditures for durable goods have been somewhat reduced, chiefly because of the decline in the purchases of new automobiles. But the effects of the tax reduction, and I suspect the stimulating effect upon the purchase of new plant and equipment and machinery and tools of all kinds by business has been very great as a consequence of today's high wages. It pays to use new, bigger, and better machines.

Population growth and high incomes help account for the enlarged expenditures for schools and hospitals. Discovery has been made, as I have mentioned, that super-highways are "cost-reducing" for business and are fully worth the price gladly paid by consumers for their use. Thus we have no expectation of great declines in outlays for investment of all kinds. Thus we have no reason to expect further substantial recession.

Recent Achievements

But will a turnabout come?

The third quarter's measures of the achievement of the economy will be available before these lines are read. I am unable to estimate what they will show. But we do know that production of steel and automobiles is increasing. Housing and other construction are slightly rising, allowing for the seasonal factor. Consumer expenditures are well maintained. The decline in inventories is probably about at an end so that this particular component in our Gross National Product figures may increase.

It seems to me, and very happily, that the prospects for continued peace, if not full political security about the world, are very brightened indeed. Thus I hope we shall be able to be the beneficiaries of further reduction in defense expenditures and further reductions in taxation.

The American economy must go forward or it will sag. Growth is essential to hold our own in personal incomes, particularly in a time when our labor force is soon going to be enlarged.

The recent economic recession has been halted for six months now. It is my belief that the results for the third quarter will assure an upward turn in total production. Whether or not we can continue this into a full stimulation of economic expansion, I am not certain. The means are available to us.

What are he means?

During the past year we did not produce $14 billion worth of goods which we were competent to produce. This is not waste because the reduction has been largely in defense production which we have not required. Peace has been the cause of declining defense outlays, and it has been purchased at a price of some unemployment. Now we need to regain ground and expand our economy further. It would be my view that we would be competent in 1955 to produce not today's $356 billion of total gross national production, not 1953's peak total gross national production of $370 billion a year but a total gross national production which certainly should be $385 billion. Or perhaps we could settle for a goal of a Gross National Product of $400 billion in 1956.

One way to assist economic expansion is to reduce taxes. Such reduction in taxes was employed by the Conservative Government in Great Britain when full output was not being realized.

Similarly here, we have in fiscal policy a powerful tool to make certain that we do move firmly upward from today's plateau of total production. By first reducing taxation we may so increase total output that revenues will increase despite the cut in tax rates.

This is courageous policy. I hope the automatic forces of recovery do achieve full economic expansion. In the meantime, when the annual budget message and economic message of the President come forth in January we can assess the achievement of a path of renewed economic growth and expansion. If we do achieve it that indeed is splendid. If we do need further advances, I think we should consider in all its aspects fiscal policy.

Perhaps the automatic forces will suffice for recovery. Perhaps the impending outlook of a rapidly increasing population at the more mature ages will suffice. Perhaps the expansion of toll roads which President Eisenhower has so wisely emphasized, perhaps the expansion of needed housing and some urban improvement and finally, perhaps the contributions of investment for the application of atomic energy will be sufficient. But the price of fiscal policy is one that can be paid if we have the courage to do so and watch the outcomes. The management of the budget is a less difficult and a less dangerous problem than the consequences which might flow from an inability to reduce a higher level of unemployment.

Thomas Meek, F. Farr With Harris, Upham

Harris, Upham & Co., members of the New York Stock Exchange, announce that Thomas Meek has become associated with them as manager of their Midtown offices and Francis B. Farr has been appointed co-manager of the Fifth Avenue office, 604 Fifth Avenue. The firm's new office at 99 Park Avenue will open about Dec. 15.

Thomas B. Meek

Mr. Meek was formerly manager of the Midtown office of Francis I. du Pont & Co.

Dillman Rash Pres. of Louisville Title Ins.

LOUISVILLE, Ky.—Dillman A. Rash, formerly a partner of J. J. B. Hilliard and Son has been elected President of the Louisville Title Insurance Company to succeed the retiring President William B. Hunter who has been elected Chairman of the Board.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Tax considerations are likely to be an important factor in the market for equities over the balance of the year.

Inasmuch as tax obligations for individuals and most corporations are calculated on the basis of the calendar year, the year-end is the traditional time to review security profits and losses in an attempt to minimize, as much as possible, tax liabilities. This activity frequently creates unusual movements in different shares and sometimes places stocks under pressure where selling may be concentrated for any number of reasons.

Thus, besides solving tax problems, the present can be opportune to review holdings and in many instances improve the quality of securities without sacrificing income.

This is particularly true in the banking field. While there is considerable difference among the various banks, there are also many institutions which do a similar business and are influenced by the same business factors. Frequently a shift from one security to the other can be accomplished without a change in the nature of the holding.

Also, the geographical distribution of banks in different areas of the country can help in solving an investment problem. Many investors interested in bank stocks have been considering the desirability of diversifying their portfolios by investing in banks outside of the traditional money centers. Thus funds generated by sales of bank shares in one area may be switched into banks that may possibly have more promising growth prospects in other areas.

Such action is more feasible today than in years past. The increase in marketability of bank stocks outside of New York, Chicago, Boston and Philadelphia has been helped by new financing and the distribution of holdings that were formerly closely held. This in turn has generated an interest in stocks where formerly it was largely academic because of the limited supply of stock and the lack of marketability.

Bank stocks may also be looked upon as replacements for stocks in other industries. Traditionally bank shares have been regarded as one of the best quality groups of all industries. Earning records have shown great stability and dividends in many instances have been maintained without interruption for periods running over 100 years.

Yet in the current bull market for equities bank stocks have not attracted the wide attention that some of the other stocks in the chemical, building, oil, paper, rubber, and office equipment fields have.

At the same time dividend action by the banks has been quite liberal and most of the institutions have enlarged their distributions either by stock payments or larger cash declarations. As a result many of the quality bank stocks are now yielding more than 4% whereas leading industrial equities have risen to a point where the return is closer to 3% or even less in many instances. In fact on some of the more popular issues yields of less than 2% are not unusual.

From this it would seem that bank stocks should be a logical investment for funds seeking re-investment where quality and income are important considerations.

There is also the fact that on a yield basis many of the bank shares are out of line so far as their relationship to bonds and preferred stocks is concerned. The decline in interest rates over the past year or more has had only a limited influence on the yield pattern of bank shares. Increases in market values of shares have to some extent been offset by higher dividends with the result that yields are only slightly changed from over a year ago.

Of course, there are individual exceptions to this pattern and because of some unusual action with respect to stock dividends, mergers or concentrated buying, the yield pattern has been different than for the group.

This has taken place at a time when bank earnings are making one of the most favorable showings in history. Although operating results will show some slight decline, profits from securities will be substantial so that total profits should be near record levels. Considering the earnings showing of many other companies and groups, the record of the banks should be favorable.

Because of the foregoing, it seems likely that during the period of tax selling over the next month, bank shares should receive favorable consideration as replacements for securities sold.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on Nov. 16, Charles C. Parlin, a senior member of the law firm of Shearman & Sterling & Wright, was appointed a Director, to fill the vacancy caused by the resignation of Boykin C. Wright, also a senior member of the same firm

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Adrian M. Massie, Chairman of the Board, **The New York Trust Company, New York** announced the following promotions and appointments:

Raymond F. Adams, Harry A. Brennan, Austen T. Gray and Walter P. Morán, Assistant Treasurers were promoted to Assistant Vice-Presidents. John J. O'Connell, Assistant Secretary was promoted to Assistant Vice-President.

A. Joseph McKay, was appointed Assistant Trust Officer.

Thomas S. Alm and Arthur Denton, Jr., were appointed Assistant Secretaries.

Joseph R. Cassidy and John W. Heilshorn were appointed Assistant Treasurers.

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S. Sloan Colt, President of **Bankers Trust Company of New York**, has announced the promotion of George S. Onderchek and I. W. Hughes, Jr., to the posts of Assistant Vice-Presidents, and the election of four other bank officers. Mr. Onderchek, a member of the staff since 1950, and formerly an Assistant Treasurer, has been assigned to the real estate group, while Mr. Hughes, a former Assistant Secretary, has been assigned to the corporate trust Department. Mr. Onderchek was previously with the **Title Guarantee and Trust Company** and Mr. Hughes served with **The Commercial National Bank**, prior to mergers of both these institutions with Bankers Trust Company. Simultaneously, Mr. Colt announced the elevation of E. Joseph Mochi to Assistant Treasurer in the Brooklyn office; John E. Morrison, Jr. to Assistant Treasurer in branch loan supervision; Allen J. Pecheur to Assistant Credit Manager in the credit division; and Culver Smythe to Assistant Trust Officer in the pension and personal trust department.

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George L. Smith, President and Treasurer of the G. R. Kinney Shoe Company, has been elected a Director of the **Federation Bank and Trust Company of New York**, it was announced on Nov. 10 by Thomas J. Shanahan, President of the Federation Bank.

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The Union Dime Club held its 21st annual dinner-dance on Nov. 10, at the Plaza Hotel, New York. The Club is the employees' organization of **Union Dime Savings Bank, New York.** J. Wilbur Lewis, President of the bank, spoke and awarded prizes for the best suggestions made during the year by staff members. Alan C. Thomas, outgoing President of the Union Dime Club, presided at the dinner and introduced the new President, John J. McDonnell. The Chairman of the dinner committee was William G. Thomas, a former President of the Club. About 250 were present, including members of the staff and their guests.

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Seven new members joined the Quarter Century Club of **Central Savings Bank of New York,** at its Seventh Annual Dinner held at Toots Shor Restaurant on Wednesday evening, Nov. 10. Each new member received a pin and a $50 Savings Bond. Presentations were made by James T. Lee, President of the bank. Membership in the Club now stands at 68. The new members are Frederick M. Schall, Melvin Y. Hard, Marie Von Thelen, Alexander Sonek, Arthur H. Mittelstaedt, Francis A Mattes and William A. Fuhrman.

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Notice has been issued by Ralph P. Tyner, Jr., President of the **National Bank of Westchester, at White Plains, N. Y.**, that, pursuant to call of the directors, a special meeting of the shareholders of National Bank of Westchester, will be held at its banking house at 31 Mamaroneck Avenue, in White Plains, on Dec. 14, at 3:00 p.m. for the purpose of considering and determining by vote whether an agreement to consolidate the bank and **The Tarrytown National Bank & Trust Company, in Tarrytown, N. Y.**, under the provisions of the laws of the United States, shall be ratified and confirmed; and for the purpose of voting upon any other matters incidental to the proposed consolidation of the two banks. Reference to the proposed consolidation appeared in our issue of Nov. 4, page 1847.

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A 5% stock dividend has been recommended for stockholders of **The County Trust Company of White Plains, N. Y.**, by the bank's directors, according to an announcement made Nov. 13 by Andrew Wilson, Chairman of the Board. A similar recommendation, made a year ago, was approved by stockholders. The dividend will be in the ratio of one new share for each 20 shares now outstanding and will be distributed immediately following the approval of the stockholders and state supervisory authorities. The proposal will be presented to the stockholders at their annual meeting on Jan. 19, next, Mr. Wilson said. If approved, it is planned to transfer sufficient funds from reserves and undivided profits to increase the stated capital funds to approximately $16½ million. Mr. Wilson pointed out that any stock dividend will be in addition to the cash dividend which has been paid quarterly for a period of years. The bank has paid a total of 176 consecutive cash dividends.

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The New York State Banking Department approved on Oct. 29 the plans of the **Schenectady Trust Company of Schenectady, N. Y.**, to increase its capital stock from $1,800,000, consisting of 18,000 shares, par $100, to $2,000,000, consisting of 80,000 shares of the par value of $25 per share.

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Approval was granted by the Comptroller of the Currency on Oct. 29 to plans for the merger of the **First National Bank of Merrimac, at Merrimac, Mass.**, with a common stock of $50,000, into the **Merrimac National Bank of Haverhill, Mass.**, with a common stock of $300,000. The merger became effective under the title and charter of the latter as of Oct. 29; the enlarged bank on Oct. 29 reported a capital of $350,000, divided into 35,000 shares of common stock, par $10 each; surplus $450,000 and undivided profits and reserves of not less than $120,000. The former First National Bank of Merrimac will be known as the "Merrimac Branch" of the Haverhill bank.

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Walter T. Meyer, Chairman of the Board and President of the **South Shore National Bank of Chicago,** announced on Nov. 11 a special meeting of the shareholders to be held Nov. 22, for the purpose of voting approval to increase the bank's present capital stock from $300,000 to $750,000. The increase will be provided by a stock dividend of $450,000 to be paid from undivided profits. Tentative approval of the increase has been received from the Comptroller of the Currency.

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The Chicago Heights National Bank of Chicago Heights, Ill., has increased its capital as of Oct. 22 from $180,000 to $200,000 as a result of a stock dividend of $20,000.

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The Merchants National Bank of Topeka, Kansas with a common stock of $1,000,000, and the **Guaranty State Bank of Topeka**, with a common stock of $100,000 were consolidated effective Oct. 29 under the charter and title of the **Merchants National Bank.** At the effective date of consolidation the consolidated bank had a capital of $1,200,000 divided into 48,000 shares of common stock, par $25 each; surplus of $800,000 and undivided profits of not less than $260,000.

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The National Bank of Tulsa, Okla. increased its capital, effective Oct. 18 from $3,000,000 to $3,500,000 by a stock dividend of $500,000.

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Robert D. Kerr was elected Executive Vice-President of the **Tower Grove Bank and Trust Company of St. Louis, Mo.** at a meeting of the bank's Directors on Nov. 9, according to A. L. Locatell, President. Mr. Kerr, who has been a Vice-President of the **First National Bank in St. Louise** since 1943, assumed his new duties with the Grove Tower institution on Nov. 15. Mr. Kerr started his banking career with the old **German Savings Institution** and joined **First National** in 1929 when the **Liberty Central Trust** was merged with that bank. He is a former President of the St. Louis Chapter, American Institute of Banking and a past member of the Institute's National Executive Council. He is also a former President of the Bankers Installment Credit Association of St. Louis and former Chairman of the Committee on Veterans Loans of the Missouri Bankers Association.

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Richard W. Borrenpohl, who has retired as a member of the legal division of the Real Estate Department of the **Bank of St. Louis at St. Louis, Mo.** after 18 years service, was presented, on Nov. 8, with a check for $8,516, representing his share of the bank's employee profit-sharing fund. In accepting the check from Jack Butler, Senior Vice-President of the Bank and trustee of the fund, Mr. Borrenpohl, whose personal contribution to the fund was only $1,500, declared, "I've seen many changes in my 53 years of work, but the change in the relationship between companies and their employees, as evidenced in the award made to me and in other pension plans, is perhaps the finest one of all. It does a great deal to give a man peace of mind and security when the time comes for him to quit work." Virtually all of the bank's employees who have been with the institution longer than a year are members, and every employee may join after one year. It is estimated that if present economic conditions continue, employees who work for the bank 25 years, even those earning average wages, will receive on their retirement as much as $40,000. The plan is modeled after the Sears, Roebuck employee profit-sharing fund. The Bank of St. Louis is a subsidiary of General Contract Corp., holding company for a group of banks, insurance companies and finance and loan offices extending from Quincy, Ill., to New Orleans. The profit-sharing plan has been instituted in most of the corporation's subsidiaries. The President of the bank is Arthur Blumeyer.

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The First National Bank of Orlando, Fla. reports a capital as of Oct. 20 of $1,000,000, the amount having been increased from $750,000 as a result of a stock dividend of $250,000.

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Promotion of Don T. Ennis, Assistant Cashier of the **Republic National Bank of Dallas, Texas** to the position of Assistant Vice-President, and the election of four other employees as Assistant Cashiers was announced on Nov. 12 by Fred F. Florence, President of the Bank. Those named Assistant Cashiers were Ed R. Bentley, Granville R. Bridges, George M. Verner and Ben A. Walker. A member of Republic's Foreign Department, Mr. Ennis has been associated with the bank since 1928, having held positions in the Auditing, Bookkeeping and Foreign Departments. He is a member of the Export-Import Club of Dallas and of the Bankers Association for Foreign Trade. Mr. Ennis is a native of Luton, England, and has lived in Dallas since 1925. He served in the U. S. Army Air Corps during World War II. Mr. Bentley is a native of McAllen, Tex. Since joining Republic's Staff in January of 1947, Mr. Bentley has served as manager of the GI Loan Department; in the Time Credit, and Credit Departments. Prior to joining Republic, he was an examiner for the Reconstruction Finance Corporation, Dallas office, and is former President of the Air Reserve Association, Dallas. During World War II, Mr. Bentley was a Captain in the U. S. Army Air Corps. He was held prisoner for a year by the Germans in Stalag Luft 3 in Eastern Germany. A Reserve Captain, he was recalled to active duty in March, 1951, when he returned to Germany for a 20-month tour of duty. Mr. Bridges before joining Republic in October, 1946, attended Salado High School and Moorehead State Teacher's College. He has worked in the bank's Collection, Credit, Business Development, Time Credit and Loan & Discount Departments, and is now manager of the City Collection Department. Mr. Verner has been with Republic since 1952. He has worked in the Bank's Credit Department as a Credit Analyst since that time. Mr. Walker, employed by Republic in August of 1946, has held positions in the Transit, Time Credit, Credit, Mortgage Loan and Real Estate Departments of the Bank.

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Don C. Silverthorne, Vice-President of the **First National Bank of Portland, Oregon** on Nov. 15 joined the **First Western Bank and Trust Company (The San Francisco Bank formerly)** as an Executive Vice-President, T. E. Coats, Chairman of the Board of First Western, has announced. Mr. Silverthorne will be Chairman of First Western's loan Committee. He has been in banking for many years, starting as a teller in a Kansas bank. He later spent two years with the Reconstruction Finance Corporation, but has been with the First National of Portland since 1946. In our issue of Nov. 11 (page 1961) it was noted that the stockholders of the San Francisco Bank decided on Nov. 5 to change the name of the bank to the First Western Bank & Trust Company of San Francisco.

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William W. Crocker, Chairman of the Board of **Crocker First National Bank of San Francisco**, following a meeting of the board of directors on Nov. 11 announced that a plan for merging Crocker First National Bank of San Francisco and **The National Bank of San Meteo** had been approved. Similar action was taken by the board of The National Bank of San Mateo. Special shareholders meetings of both banks to approve the merger have been set for Dec. 16. Crocker First National has deposits of approximately $419,000,000 and assets of $440,000,000. The National Bank of San Mateo has deposits of $12,000,000 and assets of slightly more than $13,000,000. Financial details of the merger, which involves an exchange of stock, will not be made public, according to Mr. Crocker, prior to the mailing of a formal letter outlining the plan to shareholders of both banks the latter part of November. Following approval of the merger by shareholders, Mr. Crocker said, The National Bank of San Mateo name will be discontinued and the bank will become the San Mateo office of Crocker First National.

No important personnel changes are planned, Mr. Crocker said. A. L. Stoner, now serving as Executive Vice-President and Manager of the National Bank of San Mateo, will become a Vice-President of Crocker First National and continue as Manager of the San Mateo office. Hall C. Ross, President of The National Bank of San Mateo for the past 40 years will be retained as the bank's counsel in San Mateo. G. H. Dado, Cashier, and L. A. Wright and R. J. Rustice, Assistant Cashiers of The National Bank, will continue in San Mateo as officers of Crocker First National.

In 1926 the present Crocker First National Bank of San Francisco was created through the merger of the First National and the Crocker National, thereby establishing one of the major banks of the country with deposits of $97,000,000. William W. Crocker succeeded his father the late William H. Crocker as President of the bank in 1937 and James K. Moffitt, became Chairman of the Board. On Jan. 10, 1950, Mr. Moffitt became Chairman of the Executive Committee. William W. Crocker became Chairman of the Board, and J. F. Sullivan, Jr., was named President of the bank. Crocker First National Bank remained a one-unit bank until March 1947, when Farmers and Merchants Savings Bank of Oakland was consolidated with Crocker First National, thus uniting two of California's oldest financial institutions.

Emmett G. Solomon, Vice-President of **Provident Securities Co.**, was elected a Director of **Crocker First National Bank of San Francisco**, at the latter's meeting of directors on Nov. 11, according to William W. Crocker, Chairman of the Board. Prior to joining Provident Securities in May, 1953, Mr. Solomon was President of American Factors Ltd. and made his headquarters in Honolulu, T. H. Before World War II he was associated with the **First National Bank of Omaha** as a Trust Officer. Mr. Solomon is also a Director of Matson Navigation Co., Crocker Estate Co., Fibreboard Products Inc. and Gladding McBean & Co.

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In making available the current week information regarding negotiations looking toward the amalgamation of the **Dominion Bank**, head office, **Toronto**, and the **Bank of Toronto**, head office, **Toronto**, it is specifically announced on behalf of the President of the Dominion Bank, Robert Rae, and B. S. Vanstone, President of the Bank of Toronto, that:

"We should like to emphasize that there is no question of one bank taking over the other. Both institutions are in an exceptionally strong financial position. Rather, as the statement by Mr. Rae and Mr. Vanstone points out, the proposed amalgamation brings together two strong institutions for the purpose of rendering greater service to their customers and to the Canadian public."

The joint statement by Messrs. Rae and Vanstone says in part:

"Negotiations between **The Dominion Bank** and **The Bank of Toronto** with a view to amalgamation of the two institutions

have been underway for several months. An agreement to amalgamate has now been reached and the Minister of Finance has given his consent to submission of the amalgamation agreement to shareholders of the two banks at their annual meetings in December.

"Assuming shareholders of both banks vote in favor of the proposed merger then the amalgamation agreement, in accordance with the provisions of The Bank Act, will be submitted to the Governor-in-Council for approval.

"Neither of the two banks concerned is taking over the other. The proposed amalgamation brings together two strong institutions for the purpose of rendering greater service to their customers and to the Canadian public. The present customers of the two banks, the public at large and shareholders will benefit.

"The new institution will be able to offer its customers through expansion of branch facilities broader and more efficient banking service than either bank can at present. With an improved and enlarged nation-wide coverage it will create greater competition, not less, in the Canadian banking field and this should result in better service to business, large and small, and to the public generally.

"Through their larger capital, the very important assets they command, and representation at all points of importance in Canada, larger banks have been able to offer a banking service with which, when very large transactions are concerned, smaller institutions like The Bank of Toronto and The Dominion Bank have found it difficult to compete except through cooperation and at a higher cost. The amalgamation will result in a bank of a size that will enable it to compete with the largest on reasonable terms.

"The Dominion Bank and The Bank of Toronto occupy a unique position in the Canadian banking picture. Of the nine major banks, these two alone have grown to their present size, since inception in 1871 and 1856 respectively, through their own efforts, neither having taken over or merged with another institution. However, executives and directors estimate that through the proposed amalgamation at least 10 years in branch development will be saved as geographically the two branch systems complement each other admirably. In additon, a considerable measure of economy can be achieved through joint operations.

"The amalgamation agreement provides that the name of the new institution created by the merger will be **The Toronto-Dominion Bank.**

"The authorized capital is to be $30,000,000 and the issued capital, $15,000,000. Of the 1,500,000 shares (par value $10 each) to be issued, 800,000 shares will go to shareholders of The Bank of Toronto and 700,000 shares to The Dominion Bank shareholders. Thus, Bank of Toronto shareholders will receive four shares in the new institution for each three shares presently held. Shareholders of The Dominion Bank will receive share for share.

"Shareholders' equity in the two institutions, as represented by capital and reserve funds is as follows:

"The Dominion Bank:
Capital, $7,000,000; reserve fund, $14,000,000; total shareholders' equity, $21,000,000.

"The Toronto Bank:
Capital, $6,000,000; reserve fund $18,000,000; total shareholders' equity $24,000,000.

"Division of the issued capital of the new institution is in proportion to shareholders' equity in the two banks — $21 million in the case of The Dominion Bank and $24 million in the case of The Bank of Toronto after a transfer of $2 million from the tax paid reserves of the latter.

"An annual dividend rate of $1.30 per share is proposed so that the dividend income of present shareholders will remain practically unchanged.

"The chief executive officers of the amalgamated institution are to be as follows, their present positions being shown in parenthesis: Chairman of the Board, B. S. Vanstone (President, The Bank of Toronto); Vice-Chairman, Robert Rae (President, The Dominion Bank); President, A. C. Ashforth (Vice-President and General Manager, The Dominion Bank); Vice-Presidents, R. S. McLaughlin (Vice-President, The Dominion Bank); H. J. Carmichael (Vice-President, The Bank of Toronto); L. G. Gillett (Vice-President, The Bank of Toronto); T. Wilding (Vice-President, The Dominion Bank); General Manager, William Kerr (General Manager, The Bank of Toronto). The directors of the two banks will comprise the Board of Directors of the new institution. The new bank will commence business with shareholders' equity of $45,000,000 (capital, $15,000,000; reserve fund, $30,000,000), total assets in excess of $1 billion and 450 branches, including offices in New York and London, England."

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Duncan K. MacTavish, a partner in the legal firm of Gowling, MacTavish, Osborne & Henderson, of Ottawa, has been elected a Director of **The Canadian Bank of Commerce**, (head office, **Toronto**), it was announced over the weekend. Mr. MacTavish also is a Director of British American Bank Note Company Limited; Pitney-Bowes of Canada Limited; The Southam Company Limited; R. L. Crain Limited; Holt Renfrew and Company Limited; Gatineau Power Company and several other Canadian companies.

Hearings Scheduled on Recent Monetary Policy

Senator Ralph E. Flanders, Chairman of the Subcommittee on Economic Stabilization of the Joint Committee on the Economic Report, plans two days of hearings on Dec. 6th and 7th.


Sen. R. E. Flanders

Senator Ralph E. Flanders, Chairman of the Subcommittee on Economic Stabilization of the Joint Committee on the Economic Report, on Nov. 12 issued a statement revealing that the Subcommittee plans two days of hearings on Dec. 6 and 7 on recent thinking and experience regarding our national monetary policy.

Sen. Flanders pointed out that since the inquiry in 1951-52 there have been significant changes in the national economy and in the use of monetary instruments. It seems appropriate, therefore, and in compliance with announced intentions of the Committee in its report to the Congress last February (H. Rept. 1256), to review recent thinking and experience with monetary policy. The use of the term monetary policy in this study is intended to include Federal debt management policy. The study will try to avoid covering the ground of the earlier Committee studies, and will postpone discussion of the immediate economic outlook and the program to be submitted to the Congress by the President next January.

Questions such as the following will be explored by the subcommittee:

(1) What role did monetary policy play in the period of relative stability following the Treasury-Federal Reserve "accord" in 1951, in the months of boom late in 1952 and early 1953, and in the recession of 1953-54?

(2) How has the emphasis in the use of monetary instruments changed during the period since mid-1952? For example, how have the various instruments — open market operations, discount rates and administration of discount operations, and reserve requirements—been used under varying conditions? Has there been any reliance on moral suasion during this period?

(3) What is the practical significance of shifting policy emphasis from the view of "maintaining orderly conditions" to the view of "correcting disorderly situations" in the security market? What were the considerations leading the open Market Committee to confine its operations to the short end of the market (not including correction of disorderly markets)? What has been the experience with operations under this decision?

(4) What is the policy with respect to the volume of money?

(5) Has monetary machinery (a) worked flexibly, and (b) has the market demonstrated flexibility in its responses to changes in policy? For example, how has the policy of "active ease" been reflected in the level and structure of interest rate, the volume of credit, and the roles of various types of lenders?

(6) Has the debt management policy of the Treasury—both as to objectives and techniques — been consistent with the monetary policy of the Federal Reserve throughout the period since mid-1952?

(7) What considerations should dictate the maturity distribution schedule of the Federal debt, first, as to the long-run ideal to be pursued and, second, as a practical operating matter, giving weight to timing and contemporary conditions?

(8) Are the benefits and costs to commercial banks of handling government transactions clear enough, or can they be made clearer, to determine whether or not the banking system is being excessively compensated or undercompensated? What about the Treasury cash balance—its size and management? Should the government receive interest on its deposits with commercial banks?

Following are the schedule and participants:

Monday, Dec. 6

Lester V. Chandler, Professor of Economics, Princeton University, Princeton.

John D. Clark, Director, American National Bank, Cheyenne, Wyo.; former member of Council of Economic Advisers.

Seymour Harris, Professor of Economics, Harvard University, Cambridge.

James H. Land, Senior Vice-President, Mellon National Bank and Trust Company, Pittsburgh.

Edward S. Shaw, Economist, The Brookings Institution, Washington, D. C. On leave from Stamford University, Stamford.

Rudolf Smutny, Senior Partner, Salomon Bros. & Hutzler, New York.

Frazer B. Wilde, President, Connecticut General Life Insurance Company, Hartford.

Tuesday, Dec. 7

George Humphrey, Secretary of the Treasury.

W. Randolph Burgess, Under Secretary for Monetary Affairs, Treasury Department.

Securities Salesman's Corner

By JOHN DUTTON

Hot Tips!

Tipping stocks is nothing new in this country. But as Robert L. Ingold, Vice-President of Albert Frank-Guenther Law advertising agency, put it in a letter to the "Chronicle," "almost every statistician and customer's man gets telephone calls on Monday morning about stocks mentioned by a certain well known broadcaster." Most people don't realize that there is no SEC which regulates the correctness, the completeness, nor the motivation that might underlie tips on stocks that are placed before the public by radio and television broadcasters. Also there is certainly a different situation regarding facts sent to prospective clients by many advisory services, who do not have to operate their business under the same stringent requirements that govern underwriters, brokers and dealers in securities.

Those who are experienced investors, or who are professional securities men, are fully equipped to weed out the incomplete reports, slanted news items, and emotional approaches to investment that come to them over the air, and through the mail. But it is a very different situation when the inexperienced lay investor sees or hears some of this completely unsound information.

I remember the case of one of my own clients who has been a very capable business man for years. He subscribed to a certain so-called advisory service that was supposed to guide him in his business and investments. Despite his otherwise sound judgment the service finally made an impression on him. It had as its theme —doom, destruction and disaster.

I finally convinced this man that the constant barrage of emotional claptrap was having an effect upon his thinking and his planning. Although he said that he threw it in the waste basket, he was a regular reader of this material and since he paid for it he felt he had to obtain his money's worth. The country still has not gone to the dogs; all that has happened has been that he missed some excellent investment opportunities years ago while he has been sitting on his cash and watching his dollars get smaller. This service seems to gain converts upon the basis that scaring people half to death is a good way to get their money. But there is no law against it—neither is there a law to protect the unwary public from radio and television "tippers."

The firm of H. A. Riecke and Co. Inc., 1519 Walnut Street, Philadelphia, ran an interesting advertisement in Philadelphia recently, a reproduction of which is contained herein. It certainly seems to me that more of this type of advertising would be helpful in educating the public to look for "value" in their investments instead of trying to turn the securities business into something we have been trying to get away from for the past 25 years.

Cooperative advertising, wherein several dealers in each community would place this type of material before the public should be beneficial. Although no direct business might result, there is no better method to gain good-will and build up confidence of the investors in a community than to come out and place the true facts of investment before them.

This advertisement was prepared by Albert Frank-Guenther Law, Packard Building, Philadelphia 2, Pa.

MR. & MRS. AMERICA...

How Do YOU Buy Stocks?

METHOD No. 1	METHOD No. 2
HOT TIPS—Today, almost everybody will give you a "sure winner" in the stock market. The bootblack, cab driver or even your favorite TV "reporter."	SOUND ANALYSIS—Careful, unbiased study of authoritative reports of sound companies with a record of management, earnings and dividends.

As investment headquarters to thousands of men and women, we are always interested in discussing Method No. 2 with individuals who wish to invest their surplus dollars sensibly, either for added income or appreciation of principal.

An unbiased review and analysis of your present holdings will be made without cost or obligation by our Research Department. Simply mail in your list of holdings in strict confidence or, if you prefer, call or stop in at our office.

H. A. RIECKE & CO. INC.

Member Philadelphia-Baltimore Stock Exchange

1519 Walnut Street, Philadelphia 2, Pa.

Rittenhouse 6-3440

LETTER TO THE EDITOR:

When Stocks Should Be Bought and Sold

Correspondent says money can be made in stocks only if one has yardstick for revealing when they are cheap and when they are dear and governs his buying and selling activities accordingly. Discusses formula he has devised that provides him with these clues.

Editor, Commercial and Financial Chronicle:

In the Nov. 7, 1954 issue of the Boston "Herald," the Financial Editor of that paper, Mr. Edson B. Smith, made some favorable comments in his column, "The Investor," on Edmund Tabell's article which was published in the Oct. 21, 1954 issue of your valued "Chronicle," in which Mr. Tabell made the prediction that by late 1950's the Dow - Jones Industrial Stock Average will be selling for about 600.

S. A. Loftus

It is possible that Mr. Tabell may be right, so I will not dispute his forecast. However, it seems to me that the PROBABILITIES indicate that there will be a very drastic panic decline in stock prices between now and the late 1950's. One thing is certain; the higher prices rise, the closer they are to their ultimate TOP, and, therefore, the more dangerous it is for anyone to BUY them!

As evidence which brings out some of the bearish forces now working to stop the existing rise in prices, I am enclosing a copy of a letter which I recently wrote to Mr. Edson B. Smith which helps to make clear the underlying principles of a Method X which I have developed.

Also I am enclosing two pages of Examples of Analogies to my Method X which help to make clear the principles of this Method.

This letter and its enclosures may be of valuable service to your subscribers and readers in helping them to understand just what is taking place in the stock market at any given time.

There is no question that the market has reached a "boiling" point, and offers the best SELLING opportunity since Sept. 1929. These periods usually come not more than once in a decade or more, and do not last long enough to be of much profit to the majority of bullish investors or speculators.

As factual evidence of the intensity of the "boiling" point of the existing market, the average price of the 10 most stable, "blue-chip" stocks, common, listed on the Big Board, rose only 1½% during the election week ending Nov. 6th, and none of them made a new high for 1954.

In comparison to the foregoing action, the average price of the 10 most volatile, "speculative" common stocks on the Big Board rose twice as much, 3%, for that week, and six of those issues made new 1954 highs.

The foregoing two Averages are the basis for computing the ratio for my Method X as an indication of the strength or weakness of the entire stock market.

A good index of the prevailing psychology was the statement made by the "Market Commentator" in one of today's local papers. He stated: "The reason for the big rise in stock prices since the election is the fact that because they were favorably impressed by the results, ALL INVESTORS, (capitals are mine), are buying stocks." That statement doesn't make sense and is just the opposite of the truth. It implies that the ONLY ones who are SELLING stocks are SPECULATORS.

Wise investors buy the best, the higher priced investment issues when prices are high, and since the election three-fourths of the 20 most active issues traded in have sold for less than $40.00.

Also, consider this truth. When wise and powerful investors are distributing or selling stocks, they don't hire a brass band to march down Wall Street playing loud martial music to advertise it!

S. A. LOFTUS
Commander, U. S. N., Retired

386 Humphrey St.
Swampscott, Mass.
Nov. 10, 1954

* * *

The Method X Formula

Text of Commander Loftus' letter to Edson B. Smith in reference to his Method X, reads as follows:

Mr. Edson B. Smith
Financial Editor of the Boston "Herald."

My dear Mr. Smith:

As a subscriber to the "Herald" I have been a constant reader of your valuable market column, "The Investor" on the financial pages of that paper. My reason for writing this letter is to make a few comments on the recent statement in your column dated 7 July 1954 to the effect that you have never yet met any person who knows what the market is going to do in the future.

As a background for my comments, I wish to relate what my own market experience has been. My age is now 70, and I first started to study the market and to invest or speculate in bonds and stocks in the year of 1921, thirty-three years ago. In that period of time I have made and lost two fortunes, one very big one, through buying and selling several hundred thousand dollars worth of securities, running into well over tens of thousands of shares for my own account.

When I finally retired from active duty as a Naval officer late in 1945, I found myself just about where I started as far as profits and losses in the market were concerned. Therefore, I decided to make a very careful study of all my past transactions for the purpose of discovering just WHY I had made a profit or suffered a loss in my buying and selling activities during those 24 years. In the course of time, in 1947, I made the discovery—that is, a discovery for myself—that the ONLY reason WHY a loss was ever suffered was when I sold them at a price LOWER than what I bought them for.

Thus, that old LAW that stocks MUST be bought CHEAP and sold DEAR in order to make a PROFIT was revealed to me in startling clarity.

That LAW sounds simple, yet even in the face of the fact that it is the essence of SIMPLICITY and is the ONE fundamental LAW underlying ALL profits in selling securities, commodities, and merchandise, there is NO law in the world so universally neglected or ignored. Most every sensible man in the world will agree to its TRUTH, but where the big debate arises is because of the almost universal lack of some reliable "yardstick" that indicates **just when** they are CHEAP and WHEN they are DEAR.

There was one period in my market operations from Jan. 1925 to Sept. 1929, inclusive, when I unknowingly or unconsciously used this particular LAW which resulted in the biggest fortune I ever made, and which I ascribe more to just plain luck than any design or planning on my part. I had only $3,000 to start out with, and remained consistently long of stocks for that period, ending up with a net value of my stocks of well over $100,000. However, I lost that fortune from Sept. 1929 to July, 1932 because I failed to SELL my stocks while they were DEAR.

(The actual net market value of my stocks in Sept., 1929 was $150,000.)

My studies and experience convinces me that NO worthwhile fortune has ever been made through investing in securities, common stocks, EXCEPT during the course of a major bull market upswing in their prices when they were bought CHEAP and held until they became DEAR before selling them. But they MUST be SOLD then!

What I have related holds true for every transaction in stocks for profit made by many millions of persons who have ever bought or sold stocks. Not ONE of them ever made a SINGLE dollar of profit UNLESS he bought them CHEAP and sold them DEAR! How else could he make a profit? Also, the observance of this LAW is the ONLY method or way to AVOID losses, since every dollar ever lost was by purchasing stocks DEAR and selling them CHEAP.

Early in 1947, having the time to do so, I decided to devote it to the study and possible discovery of some "method" by which the debate as to whether stocks are CHEAP or DEAR at any time could be resolved. In my previous study of the price movement of stocks I had studied and experimented with literally hundreds of "systems," methods, or theories, particularly the Dow Theory, which claimed to give a reliable method for making profits in the stock market, and found that 99% of them failed in the ONE important **requisite** of INDICATING just WHEN stocks were CHEAP or DEAR. Probably the most reliable method was the "formula" one, which, if followed faithfully, will always result in **profits**, but never a **fortune**. However, it does indicate at any time when the market as a whole is weak or strong.

Because it is probably a matter of mutual concern to both of us, Mr. Smith, I though you might be interested in learning the "theory" or METHOD which I have evolved, and which I think may be of value to you in your difficult work of writing or advising the thousands of readers of your column, helping them to make wise decisions about buying or selling stocks. I have nothing to sell, and have no present plans for trying to start an investment advisory service, and thus, I have no reason for influencing anyone in their market activities, and I am able to observe and study the market objectively.

In the construction of my METHOD, I used what I think are sound market axioms for my guide, as follows:

(1) Stock prices, in a free market, always have run in major bull or bear market swings, or cycles; and that all big fortunes can be reliably made only by operating to take advantage of these ever recurring cycles, and not by or through utilizing the deceptive, unpredictable secondary or minor swings of prices. These cycles have been as reliable as the rise and fall of the tides, and probably will continue to be just as reliable in the future. (However, there is no reliable way or method which I am aware of which can predict just how LONG—the time element involved — these cycles will run.)

(2) The one INVARIABLE, or INDISPENSABLE, antecedent of a drastic panic decline in a bear market, is a very LONG period of a major bull market upswing, accompanied by a big rise in stock prices, percentagewise. Conversely, the ONE **invariable**, or INDISPENSABLE antecedent of a major bull market rise in stock prices is a previous drastic, or prolonged major bear market price decline.

In other words, a PREREQUISITE to a panic decline in stock prices is a previous strong upsurge, or rise in their prices. Conversely, a PREREQUISITE to a strong rise in stock prices is a previous drastic decline in those prices. There has never been an EXCEPTION to this LAW, OR AXIOM!

(3) The longer the period of time prices have been running in a major bull market upswing, the more dangerous it is to BUY stocks. This may be shown by the analogy of the principle governing the operation of all life insurance companies. The older a man is, the higher the premiums until he reaches the age of about 70 when they will not insure him at all because of the risks involved. Suppose a man is 80; it would be exceedingly risky to bet he would live to be 100. And even if he did, the increase in age would be only 25%. Compare this to a boy of only 5 years. It would be a good wager that he would live to be about 55, or an increase of over 1,000% in his age. So it is with stock prices. The dearer they are, the greater the risk in buying them.

(4) The biggest profits, percentagewise, are ALWAYS made in the period of time when the bull market is very YOUNG. It would be very difficult for the Dow-Jones Industrial Stock Average to rise 25% higher than its present price during the next year even, compared to its rise of 100% in the first two MONTHS of the new bull market that started in July of 1932.

(5) The best indication as to WHEN stocks are CHEAP or DEAR **must** lie in their PRICES, and not in the 1,000 and one different economic factors, such as earnings, inflation, peace or war. EVERYTHING that EVERYONE knows about the latter are reflected in the PRICES of stocks.

(6) It is a serious fallacy to compare stock yields with bond yields, particularly when the latter are manipulated, or supported by the Federal Reserve Board, as they are at present. Also, inflation affects bonds differently than it does stock prices.

(7) If the premise is sound that the market moves in ever recurring cycles of major bull and bear markets, then it must follow that if we found some means of identifying, say the top of a bull market, we could then deduce that the next major move of stock prices will be into the half of the cycle known as a major market downswing, and consequently, prices will experience a serious decline.

(8) It is a law of psychology that the general public are governed in their market decisions primarily by their EMOTIONS and not by their reason. Therefore, while the market is going through its major bull market period of "distribution," the public become increasingly over-optimistic to such an extent that they concentrate their buying of stocks in the most volatile or speculative common stocks. Conversely, when the market is scraping its bear market bottom during the period of heaviest accumulation by wise investors, the public become over-pessimistic, concentrating their selling in the most speculative and volatile common stocks at almost give-away prices, stocks which they previously bought at prices ten to twenty times higher.

(9) Above all else, the METHOD I started to search for must be correct in PRINCIPLE; that is, on the PRINCIPLE of indicating correctly when stocks are CHEAP and when they are DEAR. On the subject of PRINCIPLE, all BUYING must be done without the use of credit in any form; and no short selling ever indulged in, since both of these are wrong in PRINCIPLE. No matter how CORRECT an investor or speculator may be on the subject of buying CHEAP and selling DEAR, if he uses credit or sells stocks short, he introduces an element of risk that could wipe him out.

Using the foregoing premises or axioms as my guide, I evolved the idea of constructing two new common stock price averages, one consisting of the 10 Most **Stable** Stocks; and the other of the 10 Most **Volatile** Stocks, all listed on the N. Y. Stock Exchange. The period of time selected for this test was from Sept. 1929 to May 1946, inclusive, a period which covered two completed cycles of major bull and bear markets. It took me several years to make the essential computations and then to compile and chart these prices for all important intermediate and major price swings, but I think it was worthwhile and time has proved their value. Since May 1946, I have made careful records of their weekly prices and ratios to date.

One of the main reasons why I restricted my study to stocks only and not to bonds or other factors is that all influences such as inflation, wars, and peace equally affect both stock price averages.

Briefly, the theory and PRINCIPLE of this new METHOD, which I call METHOD X, is that the RATIO of the Volatile price average to the Stable (blue-chip), price average reveals the health or weakness of the market in a manner that is almost uncanny. Also, I have found that this RATIO is not erratic, but, on the contrary, it changes gradually and slowly, except in a period of a drastic market panic, such as we witnessed in the fall of 1929 and 1937. It remains bullish or bearish for years on end. For instance, from October 1937 to October 1944 it remained strongly **bullish** in its indications that stocks were CHEAP and should have been bought, regardless of the first five years of the worst World War in all history.

Then, let's take a look at September 1929, prior to the beginning of the worst stock market crash in all history. This METHOD was then screaming that stocks were exceedingly DEAR and should have been SOLD. I don't know of any other METHOD that gave such a reliable and timely warning or indication PRIOR to that crash.

The record of this METHOD reveals that whenever the RATIO of the VOLATILE to the STABLE average is 50%, or less, stocks are very CHEAP, and thus, should be **bought**: and when the RATIO is 125%, or higher, stocks are very DEAR, and should be **sold**.

During the first week of September, 1929 when the Dow-Jones Averages were at their highest, their very TOP, this RATIO was 233%. At the present writing, this RATIO is 254%, or 21% higher than it was in 1929. Draw your own conclusions as to whether stocks are **now** CHEAP or DEAR.

In July of 1932 when the stock market was in its lowest, this RATIO was only 29%; and in the month of December of 1941 it was again at a low of 32.5%. During the lowest prices of July 1932, the price of my VOLATILE stock average was just 2.5; compared to its present **corrected** price of 88.0, a rise of 3,400% in the past 22 years. During July of 1932, the price of my STABLE stock average, at its lowest, was 8¼, compared to its present price of 34.7 (corrected), a rise of 320% in the past 22 years.

No man needs to possess the gift of omniscience to see that if any investor was wise enough to have

bought any of the stocks in my VOLATILE average in either July 1932 or December 1941, and has since sold them at a handsome profit he would not be interested in BUYING stocks of any kind at today's prices.

I will not try to go into the details or the technical characteristics connected with the construction and operation of this new METHOD X, except to say, in explanation of the fact, or reason why current prices of the STABLE average appears to be so low or less than the VOLATILE average, is because the price of the STABLE average has always been divided by four for the purpose of placing it on the same chart or graph with the VOLATILE average. However, this divisor does not affect its, or the VOLATILE'S, PERCENTAGEWISE movement up or down.

It would be an interesting experiment, I think, Mr. Smith, if you desire to make it, to keep this letter in your files for future reference in comparing the indications of METHOD X with the action of the market itself during the next major downswing. You are welcome to do this if it appeals to you.

With my highest personal regards to you and keen appreciation of your market wisdom and writing ability, I remain

Cordially yours,
S. A. LOFTUS.

July 31, 1954.

P. S.—In reference to Axiom No. 2 in this letter, I remember when I was studying John Stuart Mill's "System of Logic" about 30 years ago he stated: "The one invariable antecedent of any event is probably one of the causes of that event." I think that this applies to all important price movements in the stock market, too. One outstanding and classic example of this occurred during the first primary upswing of prices in the new bull market that started from July to September 1932 previously referred to. Every economic factor, including the non-existence of profits for any of the 10 stocks in my VOLATILE average, argued against any rise in their prices at that time. The worst business depression was still seven months in the future. Yet that average rose 450%, in that short period of two months.

One may logically draw the conclusion from this that the seeds of the market's future action are carried within the market itself.

In conclusion, I would like to say in reference to the first paragraph of this letter that I think the stock market itself knows better than any PERSON just what it is going to do in the future. Therefore, I think that the wisest thing for an investor to do is to try to understand what the market is trying to tell us.

Method X Illustrated

September, 1954

The following examples are cited as analogies which help to make clear the underlying principles of his Method X:

"At the top of the bull market, ALL owners of stocks are LONG of shares, but SHORT of CASH just at the time when CASH is at its CHEAPEST price, and stocks are selling at their DEAREST prices. This is directly contrary to the ONE basic LAW governing PROFITS; namely, that stocks must be BOUGHT when they are CHEAP, and SOLD when they are DEAR in order to make a PROFIT.

"It is an OLD but TRUE saying or market AXIOM that at the top of a bull market, the wise investors have ALL the CASH, while the unwise investors, or 'suckers' own ALL the STOCKS. Conversely, this market AXIOM is true at the bottom of a bear market; The Wise investors OWN ALL the STOCKS, while the unwise investors or 'suckers,' OWN ALL the CASH.

"As a practical example, which of course, very few investors were wise enough to actually use, but which, nevertheless, was possible and available, is the following that brings out clearly the PRINCIPLE underlying METHOD X.

"Suppose a wise investor owned 1,000 shares of the ten Most Volatile Stocks in my METHOD X in September, 1929, which at the average price of 100 were worth $100,000, and sold them at that price. Two and one-half years later when they were selling at an average price of 5, between January and July of 1932, suppose he utilized that $100,000 to buy back 20,000 shares of these same volatile stocks. Suppose, continuing to use METHOD X, he sold these 20,000 shares in the Spring of 1937 at an average price of $35, thus realizing $700,000, or a profit of $600,000. This is disregarding taxes and commissions.

"Still following the indications, or the principle, of METHOD X, this investor would have repurchased 70,000 of these same shares which make up the 10 Most Volatile Stock Average in March of 1938 at an average price of 10. Suppose he held these stocks until May of 1954, and then sold them at an average price of 80, realizing a total of $5,600,000 CASH, disregarding taxes and commissions.

"To be realistic, let's charge off $2,500,000 for taxes, commissions, and the usual imperfect execution of his buying and selling orders. Then the NET profit for the 25-year period involved would be $3,500,000, which is a profit of 3,000% on the original investment of $100,000.

"The foregoing transactions described the PRINCIPLE involved in the practical use of METHOD X, and the POSSIBILITIES of making extraordinarily big profits with SAFETY of the investor's principal, or invested funds, inherent in it.

"The big point, the KEY ISSUE, which the foregoing example reveals is this. Suppose any investor who bought ANY stocks when they were really CHEAP, say at prices just 10% of present ones, and was fortunate enough to have sold them recently in order to garner his available PROFITS, IF he were a wise man, it is certain that he is not numbered among the many thousands who are now BUYING or HOLDING common stocks at today's extraordinarily high prices.

"If he BELIEVED that they were going say 25% higher than present prices, and thus were led to repurchase stocks now, that procedure would jeopardize his whole capital investment. He would be sacrificing close to a 1,000% PROFIT in his eagerness to make 25% more! If our hypothetical investor should be re-entering the stock market at this stage of PRICES he would be acting in direct violation of the PRINCIPLE of buying CHEAP and selling DEAR.

"In view of the 22-year rise in prices and the highest precentage rise of those prices in all history, buying stocks now in the hopes or the possibility that they may rise another 25% is similar to taking a gamble in betting that a man who is 80 years of age will live to be 100, which is only a 25% longer life span. That is one SURE way to lose a fortune, based on the experience of those many thousands who have followed this procedure in past bull markets, when prices were at present levels.

"One big fact to keep in mind at this period is this; Unless an investor does convert his stocks into CASH while stocks are so DEAR, from whence is he going to get the CASH to repurchase them when they again become CHEAP?

"Another analogy for bringing out the PRINCIPLE involved in METHOD X is the comparison of the prices of gold and silver.

"Prior to the advent of the New Deal in 1933, when a free market for gold and silver existed in the U. S. over a period of 50 years or so, the normal or average relationship of gold to silver was that one ounce of gold would buy 20 ounces of silver. However, due to the fluctuating demand and supply of gold and silver, let's suppose that there were periods when one ounce of gold would buy 40 ounces of silver. Then silver was CHEAP, and gold was DEAR, and, therefore, it was advisable, or profitable, for the owners of gold to exchange it for silver.

"Later on, maybe five years or so, the price of silver changed so that one ounce of gold would BUY only 10 ounces of it. Therefore, silver was DEAR, and gold was CHEAP in relationship to it. Then it became advisable and PROFITABLE for those who had previously bought silver with gold to exchange it back into gold. At the ratio of one ounce of gold for 10 ounces of silver, gold became very CHEAP, and silver very DEAR.

"If we apply the term of gold to CASH, and silver to STOCKS, the analogy of CASH to STOCKS will work out in exactly the same way at the first analogy described wherein an investor found it PROFITABLE to exchange his STOCKS for CASH at or near the top of a bull market; and later on, at or near the bottom of a bear market, to exchange his CASH back into STOCKS.

"Another analogy which uses a specific commodity shows clearly the PROFIT of acquiring CASH at the top of the bull market, and brings out the importance of the 'purchasing power' of the dollar, is this. Suppose two men who each owned 10 shares of Nickel Plate RR. sold them in 1929 at 150 for $1,500.

"A, the first man, kept his proceeds in CASH until 1932 when he exchanged it for 1,000 shares of that same railroad at 1.5. He held this stock until 1952 when he sold it for $245,000, (allowing for a five-for-one stock-split), leaving him a net profit after taxes and commissions, of close to $180,000, with which he could have bought 35 brand new Cadillacs at $5,000 each, if he so desired.

"B, the second man, bought an auto for $1,500 in 1929, his proceeds of the sale of his stock then. That auto has long since wore out."

Thomas J. Lupo Opens

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Thomas J. Lupo, is conducting a securities business from offices at 722 Lafayette Street.

S. L. Shapiro Opens

BAYONNE, N. J.—Samuel L. Shapiro is engaging in a securities business from offices at 88 West 35th Street.

Zottell, Samo & Cornelsen

NEWARK, N. J.—Zottell, Samo & Cornelsen is engaging in a securities business from offices at 972 Broad Street.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Fraymond P. Falk and Alfred W. Frederickson have become affiliated with Minneapolis Associates, Inc., Rand Tower.

Public Utility Securities

By OWEN ELY

Gulf States Utilities

Gulf States Utilities, with annual revenues of some $45 million, serves an area of 28,000 square miles extending over 300 miles in length along the gulf coast of Texas and Louisiana. It sells electricity at retail in 291 communities and surrounding areas with an estimated population of 775,000, and also distributes natural gas in the city of Baton Rouge (Louisiana) and supplies water in the Cities of Orange (Texas) and Lake Charles (Louisiana). In addition, process steam and electric energy are supplied as combination services under long-term contracts to Esso Standard Oil Company, Ethyl Corporation, and United States Rubber Company at Baton Rouge. Electric revenues are about 39% residential and rural, 30% commercial, 26% industrial and 6% miscellaneous.

Gulf States is a typical "growth" utility, current revenues being about four times as large as in 1940 and about 2.6 times as large as in 1946. Since 1940 the population in the area has grown 90%, and average annual residential use of electricity has increased 67%.

The company serves an area which contains a large amount of rich farm land, in which rice is a major crop. Since rice farmers endeavor to maintain a rotation schedule of planting the same land in rice only once every three years, they also raise cattle on the land during the "off" years. Jefferson County in southeast Texas has the greatest cow-population density in the nation, and grazes more than 80,000 head of cattle. Sugar, being one of the largest cash crops of the area, is processed in quantity by sugar refineries in the vicinity of Baton Rouge.

Although oil and gas are the basis for much of the industry in the Gulf Coast, there is considerable diversity. Over 1,000 industrial accounts are served with electricity, including oil refining, pipe line pumping, oil well pumping, shipbuilding, steel fabricating, chemical manufacturing, salt mining, cement manufacturing, and others. Major concentrations of industry have grown up at Baton Rouge and Lake Charles in southwest Louisiana, and at Beaumont, Orange and Port Arthur in southeast Texas. The steady, solid growth of these cities and of Gulf States' service area shows that the "blue chip" industrial companies continue to find this area ideally suited for new plant locations.

Esso's contract steam and electric requirements have grown from 840,000 pounds of steam per hour and 16,800 kilowatts under the original 1929 contract, to 2,370,000 pounds of steam per hour and 68,300 kilowatts under the new contract which became effective this year and runs through 1964 or longer. Ethyl's requirements have grown since 1938 from an initial 77,000 pounds of steam per hour and 11,276 kilowatts, to 505,000 pounds of steam per hour and 85,000 kilowatts; this contract runs thorugh 1961. A $17,000,000 expansion of steam products facilities to serve larger requirements of Esso is nearing completion, and will increase the steam products investment to about $37,000,000. In addition to over $6,000,000 operating revenue expected during the next 12 months from steam products operations, the steam customers will supply, without cost to Gulf States, fuel which would be worth almost $5,000,000 if purchased at 15c per million Btu.

The petrochemical industry has been growing very rapidly in the South and now is an important factor in the economy of the area. As President R. S. Nelson of Gulf States recently stated: "The sky seems the limit for the future growth of petrochemicals, since there seems no end to the compounds which can be developed from the basic building blocks of hydrogen and carbon, so abundantly available in the Gulf Coast area in the form of oil and natural gas. The refinery waste gases, once flared to waste or at best used as boiler fuel, are an important source of these chemical building blocks. Through their research and inventive genius, the chemists have discovered how to transform hydrocarbons from oil and natural gas into synthetic fertilizers to feed us, synthetic textiles to clothe us, synthetic cleansers to wash us, synthetic drugs to doctor us, synthetic poisons to kill our pests, synthetic rubber to cushion us, synthetic paints to protect our property, and synthetic plastics to adorn us. The chemists have created in a few short years a new industrial technology requiring the investment of $3 billion of private capital in the postwar period alone."

Referring to the exploration of the Tidelands for oil, Mr. Nelson pointed out that over $300 million has already been invested by the major oil companies in drilling some 300 wells, most of them in relatively shallow water. Considerable progress has now been made in developing huge movable platforms costing $3-$5 million each, which will permit drilling in water as deep as 100 feet. This Tidelands wildcatting and drilling campaign should provide a great deal of economic activity over a long period of years, with a possible total expenditure estimated at half a billion dollars. Gulf States Utilities should benefit by this activity as well as by the increased refining of oil in its area which may result.

Gulf States has been in a major construction program since the war, and spent an average of about $23 million per annum in the six years ended 1953. In 1954 about $16.5 million is being spent and during the five-year period ending with 1958 an average expenditure of nearly $19 million per annum is projected.

Gulf States has been selling recently around 32½ compared wtih this year's range of 34⅞-26⅜. With a dividend of $1.40 and recent earnings of $1.90, the yield is 4.3% and the price-earnings ratio is about 17. These ratios appear characteristic of leading "growth" utility stocks.

Continued from first page

Business Outlook for 1955

unrelated to the basic fundamental forces of the economy.

That brings me to the point of a philosophy of the economic outlook in 1955 if I may be allowed to label it that. The increase of 4% in the economy in the year ahead will be built upon a solid economic foundation. It will come about from a series of basic economic forces that have been, over a long term, growing steadily themselves. Two of the more basic forces of this economy of ours are the secular trend in the standard of living and the secular trend in population. In other words the gain of 4% in 1955 will be based upon bedrock, not upon a speculative upsurge or an increase brought about by artificial stimuli

How does the standard of living figure so importantly in the economy model, 1955? The answer lies in the postwar trend of the standard of living of the consumer.

Let me go back in history a few years. When the war broke out in Korea in 1950 a new tax law was imposed on the consumer and on business. Taxes were increased substantially. These tax increases had two reasons: the first was to provide the necessary revenue for the defense program; the second was aimed more directly at the consumer. The economic purpose of taxes on the consumer was to divert resources from consumption to production. The tax structure was imposed to restrain the consumer and to expand the production base.

The tax objective has been extremely successful. The battle of production that started with the Korean war has been won. The consumer was restrained. The production capacity of the nation has been expanded substantially since June, 1950. But the consumer has not been allowed to expand his standard of living since June, 1950. The consumer has been restrained. The standard of living has been at dead center since June, 1950. Personal consumption expenditures per capita in constant dollars have remained static since Korea.

In order to illustrate the meaning of that statement allow me to quote a few pertinent statistics—statistics that were the clue in 1953 to the amazing stability in consumption in 1954. The long term historic increase in the standard of living per capita has been between 1.75% and 2.0% per annum. The only period in the history of the country when the rate of increase was below that was the 30s. Yet the standard of living has practically remained static in the past four years. In June, 1950, per capita consumption of goods and services was 104 of the base — 1947-1949 equal to 100. In the second quarter, 1954, the index was 104. If the standard of living had increased during this period in line with the long term trend it would be between 110 and 112 of the 1947-1949 average. In terms of today's consumption that represents a potential backlog demand of between $14 billion to $19 billion.

The pressure to raise the standard of living means that the consumer will be the dynamic force in 1955. He will be the most dynamic element in the economy in the coming year. In dollar terms the consumer will expand his total spending on goods and services by approximately $9 billion. That $9 billion increase will be spread evenly between durable goods, non-durable goods and services. In other words, total spending on personal consumption expenditures will increase, 1955 versus 1954, by $3 billion for durable goods, $3 billion for non-durable goods, and $3 billion for services.

Future Reduction in Personal Taxes Expected

The increase of $9 billion in spending by the consumer next year is predicated upon the basis of the present tax structure. It is not predicated upon the basis of a personal tax cut. But this is a very important part of the data that one must look at in evaluating the behavior of the consumer in the near future. What are the chances of additional personal tax cuts? They are excellent. Until recently the present Administration placed incentive emphasis primarily on business investment. The role of the consumer was, while not assigned a secondary role in the economy, not quite as important as that of the producer. That emphasis has undergone a very important change in the recent past. Mr. Arthur Burns, Chairman of the Council of Economic Advisors to the President, had this to say about the role of the consumer in the middle of October, 1954: ". . . the government must use tax reduction with an eye to stimulating both consumption and investment, rather than the one or the other."

That viewpoint is also held by the Democratic party. They have advocated personal tax cuts that will take the form of increased exemptions. They have, at times, suggested a rise in the level of personal exemptions from $600 to $800, or even $1,000. This would have the effect of increasing the take home pay of the consumer between $3 billion to $6 billion. When Congress reconvenes the first order of business may well be a cut in personal taxes. The impact on the consumer would be obvious. Tax cuts of this size would raise consumption by more than the size of the tax cuts. A dollar of tax cut would raise consumption by about $2. Tax cuts and their impact on the consumer would be in addition to the gain of $9 billion in consumption that I have already spoken about in 1955.

The statistics of $9 billion is an aggregate. It does not indicate the areas of consumption that will do better than average in 1955. Primary emphasis of consumption will be on all facets that are connected with the "home life" of the consumer. One of the more important parts of home life is expenditures for repair and renovation of existing homes. Expenditures for repair and modernization of existing homes currently equal about 90 cents of every dollar spent on new housing. In the next several years we may reasonably expect to see repair and renovation surpass the value of new housing. In 1955 alone we estimate that the expenditures for fixing up, expanding, adding to, and modernizing existing homes will be about 10% to 15% above 1954. The impact on the oil industry is apparent. Expansion of already existing homes means that space heating requirements will increase as well.

The optimistic outlook for home repairs and renovation that I have painted springs from the pressure of population and the monetary policy of the Administration. One of the most striking changes that have taken place in population in the past 20 years is the number of children per family. If you examine the distribution of births by age brackets of mothers you will find that the number of third and fourth births is increasing the most in the young (20 to 30) age mothers. And yet it is these very same families that have bought small houses. In the postwar period the average footage of a house is below the level of the 20s and the 30s. The pressure of large families on small houses means expanding the houses or going into new bigger houses.

Our Economic Department recently made a survey of Levittown, Pennsylvania. They were struck by the large number of children per family. This creates pressure on present housing facilities. It creates a need for credit, for housing materials, and for skilled labor. It means a continued high level demand for housing in the decade of the 50s.

The home life of the consumer necessarily encompasses the home. The continued high level of family formation coupled with the pressure of population and the monetary policies of the Administration means housing starts in 1955 of about 1.3 million units. Incidentially, several years ago we spoke about housing starts in the decade of the 50s as an annual average of one million units. We have recently revised our estimates to at least an annual average of 1.1 million housing starts for the decade of the 50s.

Home life also encompasses the automobile. The automobile industry is in the midst of its three year cycle. That indicates a good year for passenger car production in 1955. We estimate that production of passenger cars will approximate 5.3 million units this year and 5.6 million units next year. Some improvement is looked for in auto registration as well.

The nature of the expansion of home life in this country is the expansion to the suburbs. Suburban growth is running at an annual average increase of between 6% to 7% as against 1% to 2% for city growth. This is where the families are increasing the most. This suburbanization movement means that there is a continued need for highways, schools, hospitals, recreation areas, suburban shopping centers and all forms of facilities serving the new decentralized America.

I have spoken about the various pressures that will be acting on the consumer in 1955. These pressures are standard of living backlog, family increases, suburbanization, and many others. These pressures point to an increase in consumption on the order of $9 billion in 1955. You may well ask: where is the money coming from? It will come from the general improvement in business in 1955. That general improvement will mean an increase of approximately $8 billion in the personal income of the consumer. The greatest part of that increase will be the increased wages and salaries which is estimated at plus $6 billion. The one striking thing about the consumer is that he is continuously fooling the experts on consumer behavior. He is fooling them because he is independent. He is acting on his own and not as a puppet on a string. Apparently there are no hard and fast rules that we can lay down about consumer behavior. Sometimes he follows; sometimes he leads. He will lead in 1955. He will behave in an independent manner to expand his standard of living and cut down somewhat that backlog he has built up since the Korean war broke out.

Basic Elements of the General Recovery

This leads up to the nature of the general recovery in business in 1955. Its basic elements may be summarized as follows:

First. Stability in capital expenditures by business on a yearly basis. In August, 1954, we made a survey of capital expenditure intentions by business that indicated stability in capital spending in 1955 relative to 1954. This means that capital spending of $26.7 billion in 1954 will be held to in 1955. But that does not reveal the pattern of capital spending next year. In our judgment it will probably trend downward in the first quarter, 1955, stabilize in the second quarter, and start to move ahead in the last half of the year. Stability overall in capital expenditures means that the consumer will have a firm base for expanding his consumption overall.

Second. Plusses in spending by the government sector of the economy. Federal spending for defense is expected to decline by approximately $2 billion. This will represent the total decline in Federal spending, barring another international crisis. This $2 billion decline will be more than offset by an expansion of $3 billion in state and local spending. That increase of $3 billion reflects the pressure of needs for highways, schools, hospitals, recreational areas, and all the other needs growing out of population and standard of living pressures. On balance, therefore, total government spending is conservatively estimated to increase $1 billion next year.

Third. Inventory is estimated to increase as compared to the current decumulation stage. Total business inventories in the first three quarters of this year have been worn down at the rate of about $4 billion. We are chewing up $4 billion more than we are producing. This stage of the inventory cycle will reverse itself in 1955 and enter a minor accumulation phase. As against minus $4 billion on inventories in 1954 we estimate plus $2-$3 billion in 1955. The total swing in the inventory cycle is roughly $6-$7 billion.

The swing in inventories comes about as a result of several factors. The first is that inventories have been corrected or more probably over-corrected. The pattern of the inventory cycle is accumulation, decumulation, accumulation. It is logical to anticipate a reversal in the current decumulation phase. In addition, new orders by the Defense Department for military goods, particularly in durable lines, are stepping up sharply. New orders for hard goods for defense in the six months, July to December, 1954, will be about 100% greater than in the previous six months, January to June, 1954. This will necessitate larger inventories. The rise in consumption means additions to inventories. The reversal in the inventory cycle means a higher level of industrial production. In 1954 we estimate that industrial production as measured by the F. R. B. index of industrial production will average 124 (1947-1949=100). The gain in 1955 is plus 4%, so that the index is estimated at 130 for the yearly average.

In order to more clearly set forth the business outlook for 1955 the following table may be helpful. It breaks down the component parts of the Gross National Product by estimated changes for next year.

(Billions)	Change '55 vs. '54
Personal Consumption Expenditures	+ $9
Government	+ 1
Inventory	+ 6
Total of Three	+$16
Misc. Adjustments	— 2
Net Increase Gross National Product	+$14

The miscellaneous adjustments mainly apply to net foreign investment.

This recovery in general business is fundamental. It is based upon the present tax laws and the present Federal budget. An important part of the business recovery is the monetary policy of the Federal Reserve.

The change in monetary philosophy of the Federal Reserve has gone largely unnoticed. That is a fundamental change. For the first time in history the Federal Reserve recognizes the need of a growth factor in the money supply. As presently enunciated Federal Reserve policy is dedicated to expanding the money supply at the same rate of growth as the general economy. In certain years it may change from that growth rate if velocity of circulation changes, but these are unlikely to be important departures.

The Federal Reserve policy means that business will have an adequate money supply to expand and grow. It means that the violent price swings of the past will be a thing of the past. Combine a dynamic money policy with a dynamic political philosophy of growth and you have a sound base from which the economy can register new gains in the coming years. As I said before, 4% may not seem like much, but nevertheless it means that the Gross National Product in 1955 will average higher than the peak quarter in 1953; the peak year in defense spending. By the fourth quarter, 1954, the output of the economy will top the peak quarter, 1953, by $3 billion. And that is in terms of constant dollar output. If prices were to advance slightly next year then these figures would be slightly higher.

Not only will the economy register new gains, but it will be a totally different kind of economy. It will be an economy which has reemphasized civilian consumption and deemphasized military spending. It will be an economy that will be primarily dedicated to the consumer. The importance of that is obvious. It means on the one hand greater competition, but on the other hand an expanding market.

More Foreign Investment Expected

The consumer is not the only one that will receive greater attention from American business next year. More and more as the year develops American business will cast its eyes and its investments abroad. We have gone through a transition period since June, 1953. This transition has meant a drop in industrial production of about 8%. Ordinarily a drop of industrial production in the United States of 8% would mean a good sized drop of industrial production in Western Europe. That was the typical pattern prior to the second World War.

The major fear in Europe in 1953 was the United States. That fear was if the United States had a recession Europe would have a major depression. The saying has been "America sneezes and Europe gets pneumonia." But that no longer holds true. In the transition our industrial production **drop** of 8% was accompanied by an **increase** of 8% in the industrial production of Western Europe. Not only did Western Europe hold its own, but they also made important strides forward, all in the midst of stable prices. During this period our exports increased substantially. For example, in the first six months our exports increased more than $200 million. The rising level of industrial production in Western Europe means a rising level of demand for American products abroad.

The resurgence of Western Europe on the economic scene has many important implications for business. It means that commodity prices will no longer be a uniquely domestic affair. It means that people who watch and project price trends will have to pay more and more attention to foreign prices and particularly those of the London market. It means greater opportunities in foreign markets for American goods. The pessimist at this point will add "it also means greater competition for American goods." The optimist will rejoin that it means a larger market for domestic products. He points to the rise in exports in the first half, 1954. He points further to creeping convertibility meaning a greater demand for U. S. products from Third Areas. He points to the fact

that increasing industrial production means a greater demand for goods.

The resurgence of foreign economic activity has important implications for the financial markets. Prior to the War, London financial developments closely paralleled our financial moves, but with a lead of several months. In the past few months that relation appears to have been reestablished. That suggests that one way the foreign economies will influence our economy is through the financial markets. If you are interested in financial developments in the U. S. I suggest you watch financial developments abroad, particularly in London, very closely.

The Long-Range Outlook

The topic of my talk was entitled "The Business Outlook for 1955." I would like to make a few brief comments, however, on the long range outlook of the American economy. By the long range outlook I refer specifically to 10 years hence or more particularly to 1964.

Let me refer briefly to the political considerations of the longer term economy. The Federal Reserve concept of a growth in the money supply consistent with the long-term secular growth in the economy is part and parcel of the long-term outlook. It assures business that its money needs will be present and forthcoming in developing long-term growth. It means an adequate supply of funds.

The tax program that permits rapid depreciation is dedicated to promoting and stimulating long-term investment in capital goods. The deductibility of Research expenditures for tax purposes has the same objective — stimulate long run growth through the development of new products and processes.

These are the political incentives that have been provided to business for long-range development programs. In order to utilize and capitalize on these incentives the natural economic forces must be conducive to growth. What are the more important long-term forces of growth? The more dynamic forces of growth may be listed as follows:

Population (in total and by age distribution).
Research.
Atomic Energy.

Population. The population of the United States is about 162.5 million at present. By 1964 the population is expected to approximate 186.5 million. That means an addition of 24 million people in ten years. It means the addition of three New York Cities in the American economy. We originally emphasized population as a major force in the postwar economy in 1946. At that time you could take your choice of population statistics but we almost invariably had the highest projections. But our optimistic projections proved pessimistic. They were too low and had to be revised upwards. It is probable that they may once again prove too low.

The dynamic influence, in an economic sense, of population trends arises partly from the total, but mainly from the changing age distribution and from the changing geographical distribution.

Age Distribution. The population has been growing most rapidly in the dependent age group (under 18 and over 65); and least rapidly in the productive age group (18 to 65). During the decade of the fifties, the nation will add on the average two dependents per one productive; by contrast, during the decade of the thirties, the ratio was reversed—one dependent per two productive. The ration of the fifties means a continuing high level of demand for labor-saving devices, both in industry and in the home, a continuing need for increased productivity. More detailed study by five-year age groups has implications for merchandising, schools and other interests. To illustrate, the age group 15 to 19 years inclusive may be cited. Whereas in the decade of the forties this growth declined 13% in number, in the decade of the fifties it is estimated to increase about 44%.

Decentralization. The trend is to the suburbs. A study of 23 areas indicates that suburban population from 1930 to 1950 grew at a rate roughly four times greater than that of city areas. This suburbanization is expected to accelerate during the balance of the decade. In addition to the suburbanization movement must be added the changing regional distribution of the population. Why are these two movements important? Because they necessitate new schools, new and bigger highways, increased commutation facilities, duplication of facilities (one set of facilities for the workday and one set of facilities for servicing the leisure hours of the suburban population), new service requirements and finally the very shift itself requires changes in the economic makeup of the nation.

Research. Emphasis on research in the postwar period has resulted in continuous improvement of product and new products. In 1953, total estimated private and public research expenditures totaled $4 billion. One of the major distinctions between the prewar period and the postwar period is increased emphasis on research. To the amount of money spent on postwar research must be added the $13 billion spent on developing atomic energy. These vast sums spent on research indicate a continued growth trend in the economy.

Capital Expenditures. There is close agreement between research and capital expenditures. Research develops new products and new skills. These new products and skills require capital investment. A high level of research expenditures implies a continued high level of capital expenditures. In addition to the impact of research on capital expenditures must be added the influence of flexible depreciation allowance proposals for new capital investment and the constant upward pressure of labor costs.

Automation. It is rapidly growing in importance. This is already evident in certain industries. It will gain new long-range stimulation by increased industrial application of atomic energy. In the judgment of this study, automation will continue to grow in importance, in part because of cost savings, in part because of necessity.

Atomic Energy. It has been said that the introduction of atomic energy in the industrial world marks the beginning of the second major industrial revolution. The most obvious application of atomic energy is in the field of power. Five years ago atomic energy was thought to be 25 years away. Two years ago it was thought to be ten years away. One year ago it was thought to be five years away, and today people are speaking economic electrical power generated from atomic energy in less than five years. When all is said and done one thing is certain: atomic energy will be a major force in producing electrical power in this nation in the next decade. We estimate that up to 5% of the total electrical power in this country by 1963 will be generated by atomic energy.

But in addition to the generation of electrical energy from atomic energy a consideration of other industrial applications must be made. The most promising part of atomic energy's future is that it will substantially increase productivity of the economy and lower the unit cost of production. How will it do this? It will do this because atomic energy provides industry with the means of more actively controlling and more scientifically controlling the products of producers today than ever before. This applies both to tracer techniques and control techniques coming from atomic energy radiation. It is reported that certain chemicals have become much more pure as a result of atomic energy tracer technique than has ever been in the past. One example of this, I understand, is naphthalene produced by one of the leading chemical companies. In addition to that, atomic energy is automation, all the more necessary and all the more possible. Some of the most recent advances in automation have been made as a result of atomic energy requirements.

These dynamic forces add up to a potential Gross National Product in ten years of between $540-$560 billion in today's prices. That compares with a Gross National Product of $356 billion at present. It means that the economy has the potential to increase its per capita consumption by an annual average of 2.7% in the next ten years. That is the American Potential.

N. Y Security Dealers 29th Annual Dinner

John J. O'Kane, Jr., of John J O'Kane, Jr., & Co., has been appointed Chairman of the Committee for the 29th Annual Dinner of the New York Security Dealers Association to be held at the Biltmore Hotel (Grand Ballroom) on Friday, March 11, 1955, as announced by Harry R. Amott, Amott Baker & Co., Incorporated, President.

John J. O'Kane, Jr.

The Committee will consist of the following members: Richard M. Barnes, A. M. Kidder & Co.; Irving L. Feltman, Mitchell & Company; James F. Fitzgerald, W. L. Canady & Co., Inc.; Louis A. Gibbs, Laird, Bissell & Meeds; Maurice Hart, New York Hanseatic Corporation; George V. Leone, Leone & Pollack; Theodore Plumridge, Eastern Securities Inc.; Horace I. Poole, Eisele & King, Libaire, Stout & Co.; Stanley L. Roggenburg, Roggenburg & Co.; George A. Searight; Herbert Singer, Singer Bean & Mackie, Inc.; Elbridge Smith, Stryker & Brown; Alfred F. Tisch, Fitzgerald & Co. Inc.; Melville S. Wien, M. S. Wien & Co.

David Morris of David Morris & Co., has been appointed Chairman of the Advertising Committee for the 29th Annual Dinner Program. The Committee will consist of the following members: John J. Connell, Amott, Baker & Co., Inc.; Leslie B. d'Avigdor, d'Avigdor & Co.; Charles H. Dowl, Hodson & Co., Inc.; Frederick D. Gearhart, Jr., Gearhart & Otis, Inc.; Thomas Greenberg, C. E. Unterberg, Towbin & Co.; Hanns E. Kuehner, Joyce, Kuehner & Co.; Peter Lineen, Eastern Securities, Inc.; Fred J. Rabe, F. J. Rabe & Co.; Samuel Weinberg, S. Weinberg & Co.

Cantor Director

B. Gerald Cantor, President of Cantor, Fitzgerald & Co., Inc., Beverly Hills investment securities dealers, has been elected to the Board of Directors of the Dallas Railway and Terminal Company, it was announced recently following a meeting of the Board in Dallas.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market appears to have a few more buyers for its securities now than was the case a few weeks ago. It is reported that some owners of the maturing issues have been doing their own refunding to a limited extent. This has resulted in certain of the intermediate and longer-term Governments being taken out of the market. It is still a rather thin market, however, and there are very noticeable traces of professionalism in it. Also, there is not likely to be very much of a trend in prices of Government securities until the terms of the year-end financing have been announced.

Switching in certain issues is still being done in what is termed fairly sizable amounts, with the tax angle being responsible for most of this. On the other hand, there are indications that the deposit banks and other institutional investors have been making modest commitments in the middle and longer-term obligations for income purposes.

Refunding Still Dominant Factor

Representatives of the various interests in the money market have been conferring with Treasury officials about the impending financing but there appears to be no positive ideas around as to what the monetary authorities are going to do in this all important operation. To be sure, there is no real mystery as to what will eventually be done in the December refunding because there are only so many choices open to the Treasury. However, it is the attempt to figure out ahead of time which of the various combinations will be used by the Treasury that is having an effect upon the Government market.

Finance Deficit?

First of all, there is the question as to whether or not the Treasury will combine a new money raising operation with the refunding of the more than $17 billion of issues which come due the middle of next month. The Government will need funds soon to take care of the deficit which is building up, and, in order to be prepared for this development, it is contended by some money market specialists that the Treasury should go into the market soon and pick up $2 billion of new money. It is being pointed out by this group that the new money raising operations of the Treasury should be a part of the year-end endeavor. By having the refunding and the new money venture taking place at one time, there would be a better opportunity for the market to digest the whole thing at once, even though it would be a very large one. By having them separated, there would still be another operation overhanging the Government market.

Some Refunding Probabilities

The next point of discussion about the coming operation is what will be in the "package" which the Treasury will offer? The guesses which are being made are based upon the following assumptions. Number one, that the year-end development is to be a combined affair, that is the refunding will be done along with the new money raising. Accordingly, it is believed by some that there will be three kinds of securities involved. These ideas are about as follows:

(1) A short-term issue for those that must have such an obligation for liquidity purposes. This would appeal most likely to the commercial banks and the Federal Reserve Banks because they have sizable holdings in the maturing short-term issues and would probably turn them in for one-year maturities that undoubtedly will be a part of the refunding.

(2) It is believed in some quarters that a medium-term obligation will also be a part of the "option deal" which the Treasury will make. How long such an issue might run is open to some question even though the majority of the guesses at this time seem to veer towards an eight-year bond, which means a 1962 maturity. It is being pointed out that such an obligation should have a set maturity and a coupon rate of 2⅜%.

As far as maturities are concerned, the year 1962 is not too crowded a one. To be sure, there are outstanding obligations that might come due in 1962 if they are allowed to go to maturity and there are also issues which might be retired through a call in that same year. However, if a new issue were to be fitted into that year, and all the others that might be retired in 1962 did come due together, it could be readily handled by the Treasury.

Guesses on Long-Term Issue

The other part of the puzzle is the new money raising operation and some of the guesses about this are that a long-term bond will come into the picture here. It is believed in certain quarters that some of this money will come from nonbank investors, with an issue being offered to them which will meet their requirements. A long-term 2¾% or 2⅞% bond is what is being talked about but, as always, who can guess what the Treasury has probably already decided upon doing?

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late Maurice J. Daning to Thomas E. Wood will be considered by the Exchange on Nov. 24.

Transfer of the Exchange membership of the late John W. Kurth to Frank Weinberg, Jr. will be considered Nov. 24.

On Nov. 30, John G. Eidell will retire from partnership in Shuman, Agnew & Co.

Joins Kalman Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Herman L. Berg has been added to the staff of Kalman & Co., Inc., Endicott Building, members of the Midwest Stock Exchange.

With Schoellkopf, Hutton

Schoellkopf, Hutton & Pomeroy, Inc., 63 Wall Street, New York City, have announced that Frank C. Vogel, formerly with John Nuveen & Co., has joined the firm.

Continued from first page

As We See It

these deviationists. They have, however, often presented something of a problem to humanity—especially when, as is often the case, they are extremists sparingly endowed with realism and convinced that because they have achieved greatly in one often rather narrow field they are possessed of wisdom far exceeding that of their fellows in areas removed from their study and experience. The problems and dilemmas thus presented are inevitably magnified in a situation such as that now surrounding the field of nuclear physics. Here is a domain in which the genius or the near-genius alone can function effectively, and the geniuses do their best work when they can consult freely and fully, exchanging without let or hindrance all information and ideas which come into their possession.

A Real World

Yet this is a real world in which we live, a world full of nationalism and nationalistic ambitions. In this world a powerful unit obviously harbors almost frightful ambitions and is determined to make use of any and all means for the attainment of its ends. It is moreover a nation which, one might say, specializes in spying. The careers of the Hisses, the Fuchs' and the rest make it plain as a pikestaff that we can not be complacent or careless with some of the information our men of genius develop. It is, moreover, doubtful to say the least whether the scientists are the best judges of what is or is not prudent in this contest with the scientists and the spies of Soviet Russia. Neither has the genius any warrant in setting himself up as superior to all the rest of us in arriving at decisions as to what is necessary in protecting ourselves in a situation of this sort.

But it is not only in this area of nuclear physics that restrictions are now imposed upon the activities of individuals. Nor is the very current problem of individual freedom and liberty confined to conditions which grow out of such security regulations as may at the moment be in effect. For decades past, particularly during the past two decades, a tendency has become pronounced throughout the world, but particularly perhaps in this country, to place restriction after restriction upon the activities of individuals usually in the mistaken supposition that somehow the rank and file gain thereby. Curiously enough, it is often the very nonconformist in science or philosophy who is one of the most ardent advocates of what might in a very real sense be termed social or economic security regulations. Witness the large number of nonconformists who are socialists in fact if not in name, and the still larger number who are at least semi-socialistic in their leanings. Of course, the sort of freedom that Dr. Einstein and the others want in the field of physics would if applied generally be quite incompatible with any form of socialism.

Another sad commentary upon this wide extension of restrictions in recent decades is found in the fact that it has never been applied evenly throughout the economy or throughout society. Dr. Einstein was probably more apt than he knew in selecting plumbing (if not peddling) as offering more freedom than he enjoys or thinks he enjoys in his intellectual endeavors. He could hardly today choose to be a security dealer (or a peddler of securities) and hope to have any remarkable degree of freedom in his operations. If he were an employer of labor of almost any kind he would soon find, of course, that the range of his liberty to conduct his own affairs had very definite limits.

Freedom for the Plumber

The story would be quite different, however, if he were a plumber and belonged (as often he would of necessity belong) to a strong union. Then he could do many things denied his employer. He could combine with his fellows and do all within his collective power to destroy his employer—all under the protection of the court-supported myth that in so doing he is only exercising his right of free speech. He would find, for example, that for all practical purposes the antitrust laws of the land, often strictly limiting the operations of his employer, did not exist for him. Of course, the list could be almost indefinitely extended.

Needless to say, of course, that certain limitations upon the permissible behavior and activities of us all have always been recognized as essential to the functioning of society and the economic system. Individual liberty is of necessity restricted if it is to apply to each and every one of us. It can not go beyond the point where the exercise of it restricts the liberty of others. On the other hand, the belief that it should be limited in the least possible degree consonant with equality of treatment — and that there should above all be equality of treatment—was the keystone upon which our illustrious structure of economic plenty was erected.

Both in the intellectual sphere and in ordinary everyday life, the problem of individual liberty is present and must find solution in good hard commonsense—not in quaint longing *post facto* for escape.

Continued from page 3

Income Tax Pointers Affecting Securities

carried forward only, not backward.

As this rule about carrying forward losses for five years has been in effect fo rsome time, it means that losses as far back as 1949 can be used in 1954 returns, if not previously absorbed by profits.

Losses are always figured in full whether under-six-month or over. The tax savings from losses can run as high as 91%. Suppose, for example, Jones is in the 91% bracket, and that in 1954 he takes a $1,000 under-six-month profit. His tax on that $1,000 will be $910. However, if he then takes a $1,000 loss on securities, whether over or under six months, that will exactly offset the $1,000 profit, and wipe out the $910 tax. In other words, the $1,000 loss has saved Jones $910, or 91% in tax.

How Watching the Six-Month Line Saves Taxes

There is an obvious advantage in taking profits after a six-month holding. The tax rate then ranges from as little as 10% to a maximum of 25%. Before six months, the range is from 20% to 91%.

The six-month line also needs watching on losses, to make sure they offset the heaviest taxed profits. For example, suppose Jones has $2,000 of under-six-month profits and $2,000 of over-six-month profits. He also has an open loss of $2,000 on newly bought securities. If he waits to take the loss until after the six-month line has been passed, he must apply it against the $2,000 of over-six-month profits. That leaves him with the $2,000 of under-six-month profits to report. If he had taken his loss before the six-month period had run, it would have been applied against the $2,000 of under-six-month profits. That would have left him with the $2,000 of over-six-month profits, of which only $1,000 need be reported, (with a maximum tax of $250) compared with $2,000 of regular income the other way around.

All this means alertness throughout the year. To wait until the end of the year, as is so frequently done, may let the six-month mark slip by.

How Spacing Between Years Saves Taxes

Where there are over-six-month profits and no under-six-month profits, it is an advantage to take losses in a different year from the profits. For example, suppose Jones has $2,000 of open over-six-month profits and $2,000 of open losses. If he takes both in 1954, the result is zero.

If he takes the $2,000 losses in 1954 and the $2,000 profits in 1955, he is ahead of the game by a $500 deduction. It is figured in this way: For 1954, the $2,000 losses give him a $1,000 deduction and $1,000 to carry forward into 1955. This $1,000 is applied against the $2,000 of over-six-month profits in 1955, making a net profit for 1955 of $1,000, one-half of which, or $500, is reportable. Jones, therefore, has a $1,000 deduction in 1954 and $500 income in 1955, or a net deduction for both years of $500.

Jones' best bet, however, is to switch the thing the other way around and take the $2,000 over-six-month profits in 1954 and to take the $2,000 losses in 1955. By doing this, he reports in 1954 one-half the $2,000 profits, or $1,000. In 1955, he has a deduction of $1,000 of the $2,000 of losses. In 1956, he deducts the remaining $1,000 of the $2,000 losses. The net effect for the three years is a deduction of $1,000, whereas taking the losses first, resulted in a net deduction of only $500, and taking the profits and losses in the same year was merely a stand-off.

How Short Sales Can Be Used To Tax Advantage

Through a short sale it is possible to shift profits or losses from 1954 to 1955, or for that matter indefinitely. This is because of the rule that no gain or loss need be reported on a short sale until the short position is actually closed out.

Here is how the shift is accomplished: Jones has in his box 100 shares of stock that he bought in August 1954 at 60. In December 1954, or four months later, and when the market is 85, he goes short the stock with his broker. He can take the stock out of his box in December 1954 and deliver it to the broker to close out the short sale. That will result in a $2,500 under-six-month-profit. If he figures he is better off from a tax standpoint to push the $2,500 profit into 1955, all he need do is hold off covering the short sale by delaying delivery until some time in 1955. That takes it out of his 1954 return and puts it in 1955.

No matter when Jones covers, it is an under-six-month profit because when he went short he owned the same stock for less than six months. If when he went short he owned the stock more than six months, the profit on the closeout of the short position is an over-six-month profit.

How to Convert Dividends and Interest Into Capital Gains

Because of the 25% tax limit on over-six-month securities it is natural for people in higher brackets to try to get that sort of profit rather than regular income. Here is a way to accomplish this: Suppose Jones, in the 91% bracket, has 100 shares of over-six-month preferred stock that cost him $100 a share. The stock is now worth $160 a share because of an accumulation of $60 of dividends which are about to be cleaned up. If he receives the $6,000 of dividends, he will have to part with 91% or $5,460 less $240 (4% of $6,000) or $5,220.

However, by selling the stock at 160, prior to the ex-dividend date (that is, at least four full business days before the dividend "record" date), he gets the same $6,000, but it is now in the form of profit from the sale of over-six-month stock. His tax on the $6,000 is therefore only 25% or $1,500, instead of $5,220—a saving of $3,720. If he still wants to maintain his position in the preferred stock, he can step right back into the market after the dividend date and buy 100 shares. That puts him back to where he started stock-wise, but ahead of the game by $3,720 tax-wise.

With bonds about to pay off back interest, the saving under the same circumstances would be $240 more because the 4% tax reduction applies only to dividends and not to interest. Incidentally, there is a special tax attraction to bonds that have defaulted in interest at the time the bonds are bought. The defaulted interest, if later collected, is not regarded as interest, but as a return of the investment in the bond.

How Wash Sales Are Treated

If an investor sells stock at a profit, and then buys the stock right back, the profit is taxed. Not so with losses. There is a rule that says that no loss will be allowed on a sale, if within thirty days before or after the sale the same security is bought. This is known as a wash sale. The tax effect is as if the sale never took place.

The disallowance of thirty-day in-and-out losses applies to a purchase not only of the same security, but also of substantially identical securities. Accordingly, the sale of a stock and the purchase of a voting trust certificate of the same stock, or vice-versa, is under the ban. However, the loss will stand if the sale is of stock of one company, and the purchase is of stock of another, although the two companies are in the same line of business, their stock sells at the same price, and moves market-wise in the same way.

How To Identify Securities Sold

Suppose Jones buys 100 shares of stock in 1952 at 70, and another 100 in 1953 at 80. In 1954 he sells 100 at 75. Does he have a five point profit or a five point loss? It all depends. If he delivers the 1953 certificates, costing 80, he has a five point loss. If he delivers the 1952 certificates, costing 70, he has a five point profit. He can make his own selection of certificates, and so he can control whether to have a profit or a loss.

The same result holds good if he instructs his broker at the time of the sale whether he wants to sell the 1953 block or the 1952 block. His instructions will control.

If he says nothing, and the certificates cannot be identified, the rule is that the 1952 block is sold first, because it was bought first.

How Commissions and Other Expenses Are Treated

Purchase commissions are additions to the cost of securities, and sales commissions are deductions from their sales price. Commissions therefore affect only the profit or loss on a trade.

State transfer taxes, can be taken as a regular deduction. The rule on Federal transfer taxes is not clear. It has been held to be deductible by a trader in securities. Whether this also applies to an investor is uncertain.

It is an advantage to have a regular deduction because it can mean 91% saving in tax. As a reduction of profit or an increase in loss on a trade, the tax effect is limited to the tax rate that applies to the profit or loss.

Is interest on a debit balance in a brokerage account deductible? The answer is yes—with a "but." The mere interest charge by a broker is not enough to give the deduction to anyone who makes his return on the basis of cash coming in and going out. The interest must be actually paid to the broker. However, the payment need not be a direct cash payment to the broker. Collections by the broker for the customer's account of interest and dividends on the customer's securities are the same as so much

cash paid by the customer. So also are proceeds of securities sold.

Dividends on short sales are deductible. Other deductions include cost of investment counsel or advisory services, subscriptions to statistical services and investment literature, rent of safe deposit boxes, csutodian fees for securities, office expenses, cost of professional service for preparing or defending tax returns.

Suppose a $1,000 non-convertible bond of an industrial company, due in 10 years, is bought for $1,100. An investor can, if he desires, write off the $100 premium over the 10-year period, and take as a regular deduction $10 in each year. If he does, he must mark down the cost of the bond by $10 each year. If it is a fully tax-exempt bond, the $10 annual mark-down is compulsory and there is no tax deduction for it.

If the industrial bond is callable before maturity at par, the $100 premium can be written off to the earliest call date. Some bonds have a 30 day call provision. The premium on them is therefore deductible in full almost immediately. There is a special rule on bonds issued after January 22, 1951. If they have a callable date earlier than three years after issue, and the bonds are bought after Jan. 22, 1954 the callable date is ignored and the premium is spread to maturity.

THE CORPORATE INVESTOR

There are special provisions that apply only to corporate investors. For example, while in the case of over-six-month securities of individual investors, only one-half the profit is figured, in the case of corporate investors the entire profit is figured.

Also, while in the case of individuals, up to $1,000 of net security losses can be immediately deducted from any other income, no such deduction can be taken by corporations. All that a corporation can do with the net losses is to carry them forward for five years until absorbed by profits. If there are no security profits in the five-year period, no tax benefit is derived from the losses.

In the case of an individual, mention was made of the desirability of converting dividend income into security profits, because an individual may have to pay 91% tax on dividends (less the new 4% reduction). Corporations, however, generally pay less than 8% tax on dividend income. A corporation is therefore better off with dividends than any other type of taxable income, even including capital gains.

Accordingly, while in the case of individuals, it was mentioned that there is an advantage in selling stock before the dividend date and buying it back afterwards, in the case of a corporation it is just the opposite—there is an advantage in buying stock before the dividend date and selling afterwards.

Thus, suppose that in 1954, a preferred stock is about to pay off $60 of dividend arrearage. It is selling at 160. A corporation buys it the day before it sells ex-dividend and collects the $60 dividend. The tax on the dividend is $4.68. The corporation then sells the stock at 100. It has an under-six-month loss of $60 which it can offset against $60 of under-six-month profits on which the tax would otherwise be $31.20. The corporation therefore stands to be ahead $26.52 on the deal.

Timing of Year-End Sales

Year-end tax selling, whether to take profits or establish losses, is a familiar occurrence. Timing is important, or else a transaction intended to affect 1954 taxes may turn out to be a 1955 item, and vice-versa. The reason for this is the interesting rule that profits are not considered realized for tax purposes until the securities sold are delivered to the buyer. Losses, on the other hand, are deemed to be sustained when the sale is made on the floor of the exchange, regardless of the time of certificate delivery.

As the various exchanges in New York have a four business-day delivery rule, this means that the latest day to make profits for inclusion in 1954 returns is Dec. 27. Securities sold on Dec. 28 will not be delivered until Jan. 3, 1955 and the profit will therefore be a 1955 item. After Dec. 27 securities can be sold for "cash" instead of the regular four-day delivery, and in that way profits can still be established for 1954. In the case of losses, they can be taken by sales made right up to the end of the year.

The rules just described apply to taxpayers who make their returns on the basis of cash coming in as distinguished from amounts owing to them. The technical name for the distinction is the cash basis as against the accrual basis. Taxpayers on the accrual basis can take profits or establish losses for 1954 by sales right through Dec. 31.

Mass Market Air Conditioner Forecast

Donald C. Minard, President of the Trane Company, tells New York security analysts there will soon be available a compact, combined heating-cooling unit that will deliver air through self-insulating plastic ducts.

In the early future — perhaps two or three years—home-owners will be able to buy a year-'round air conditioner for only $350 or so more than is now paid for a good home furnace. This prospect was held out by Donald C. Minard, President of The Trane Company of La Crosse, Wis., in a talk before the New York Society of Security Analysts at a luncheon in the Downtown Athletic Club, on Oct. 18.

Donald C. Minard

Mr. Minard stated that it now generally costs even a speculative home builder, buying on a large scale, at least $700 more for a complete year-'round air conditioning unit than for a central heating plant alone. The Trane Company, according to Mr. Minard, is "making excellent progress in our laboratory and in experimental installations in a number of homes toward a central home air conditioner — a heating-cooling plant combined so that complete air conditioning will be well within reach of a man earning $3,500 a year."

By "complete" air conditioning, Mr. Minard emphasized, he meant cooling or heating, along with taking moisture out of the air or adding it as needed, plus introduction of the right amount of ventilation air, and filtering of the air for cleanliness, easier housekeeping and health protection.

"Much more compact than those now on the market, this year-'round air conditioner of the early future will be no larger than your present refrigerator, and perhaps smaller," Mr. Minard said, adding: "At the moment, it seems probable that your future home air conditioner will deliver the air through plastic ducts only 3 or 4 inches in diameter—ducts that are prefabricated and self-insulating. The air will race through these ducts at perhaps 30 miles an hour, fast enough to blow a whistle so it could be heard miles away. And yet it should be discharged into the room so silently you never hear it, because of a new diffuser grille design with which we are now experimenting.

"The price tag on this air conditioner will probably be only $350 or so higher than for a good central heating plant — surely a modest investment for the extra comfort, cleanliness and health protection of year-'round air conditioning." The flood of room coolers now on the market, Mr. Minard asserted, "has only whetted the American home owner's appetite for the impending moderate-price, year-'round air conditioner" that does a complete conditioning job.

The Trane President noted "the readiness — even the eagerness — of the American public to enjoy air conditioning everywhere" as among the major factors speeding adoption of this mode of living—along with steady reduction in prices coupled with improving quality of equipment.

Industry's Problem Is Expansion

"Not tomorrow, but today," he said, "a man can breakfast in an air conditioned home; drive in his air conditioned car to an air conditioned office; lunch in an air conditioned restaurant; confer on business in his air conditioned bank; take a trip in an air conditioned plane, train, boat or bus; and then drop in to visit a friend who is convalescing in an air conditioned hospital, aided by medicines and equipment made in air conditioned factories."

As a result of America's desire to extend this air conditioned life, the Trane President said, one of the air conditioning industry's principal problems is "planning for expansion — and planning soundly."

H. Hentz 50-Year Club Adds Member

The Fifty Year Club of H. Hentz & Co., 60 Beaver Street, New York City, added its third member when the firm, members of the New York Stock Exchange and of leading commodity exchanges, held a dinner Nov. 12 in honor of Frederick W. Hahn, Jr. The other members are Jerome Lewine, the senior partner, and E. W. Fitzgerald, another partner.

Mr. Hahn began his 50 year association with H. Hentz & Co. on Nov. 4, 1904. Ten years later he became a member of the New York Produce Exchange and the Exchange recently presented him with a citation commemorating his 40th anniversary as a member.

The dinner for Mr. Hahn was given under the auspices of the firm's Twenty-Five Year Club which has some 42 members.

Boudousquie Joins T. J. Feibleman Co.

NEW ORLEANS, La.—Paul C. Boudousquie, Jr., has become associated with T. J. Feibleman & Company, Richards Building Arcade, members of the New Orleans Stock Exchange. The firm has also announced a program of expansion directed toward greater service in the investment field, in connection with its 25th anniversary.

Mr. Boudousquie, Jr. attended the University of Colorado, Tulane University and Loyola University where he studied engineering, business and law before entering the investment business six years ago. He has recently been with a fire protection engineering firm as general manager.

Railroad Securities

Missouri Pacific

During the past couple of weeks there has developed enthusiastic bidding for railroad stocks, pushing the various averages to the best levels witnessed in more than two decades. What has been particularly notable is that the interest, which during the past year or more of advancing prices has been concentrated largely in investment type stocks, has carried over into the more speculative categories. Institutional investors have for some time been impressed with the way in which the better situated carriers have been able to weather a period of declining traffic and still report highly satisfactory earnings. Also, it has been recognized that despite the rather substantial business readjustment through which we have just passed, there are many railroads that are in a position to increase their dividend payments to stockholders.

The investment buying of rail stocks has been considered by railroad analysts as a logical development. As contrasted to the buying of investment caliber equities by various types of institutional accounts, the investment community in recent weeks has been surprised by the advances that have been realized by, and the amount of buying that has taken place in, the more speculative categories. This takes in the group of traditionally marginal operators that have fared rather badly earningswise during the past 12 to 14 months of declining railroad traffic.

Presumably the enthusiasm for this speculative group has largely been generated by rumors and hopes that the report on railroads that is to be presented to the President's Cabinet Committee by the end of this month will contain some startling recommendations as to what should be done for the railroads by the government. It has been rumored that this report will recommend, in one form or another, a subsidy for the railroads as an offset to effective subsidies being given by the government to the various competitors of the railroads. If this is the basis for the recent rise in speculative rail stock there are many in the financial community, and among railroad analysts, who consider the advance unwarranted.

Those who have studied the situation carefully, and dispassionately, lean to the opinion that the report to the Cabinet Committee will more likely stress proposed legislative relief on such matters as rate making, abandonment of unprofitable services, authority to engage in other activities, etc. These sources feel that if the question of subsidy is covered at all in the report it will be soft-pedaled. It is also pointed out that despite some recent defections, railroad management as a whole does not appear sympathetic to any type of subsidy for the industry, no matter how such a subsidy might be disguised.

Among the outstanding speculative advances last week was Missouri Pacific preferred which was affected by specific as well as general influences. First, the court approved the petition of the trustees to pay off all of the back interest on the First & Refunding 5s. Payment of this interest in cash was an integral part of the most recent proposed reorganization plan and the court's approval of the payment at this time was widely hailed a indicative of judicial acceptance of the plan as such. Secondly, the ICC with one minor exception turned down all objections to its plan and certified the plan to the court. Thus, hopes have been raised that the plan may be consummated speedily.

On the basis of past history those who look for speedy consummation of this plan seem to be doomed to disappointment. It can be assumed that those who filed objections with the ICC, and perhaps other parties, will take their objections right through to the highest courts which, with the mechanics of reorganization, might mean a matter of another two years. Also, it has been pointed out by many rail analysts that even if the plan were to be consummated, the Series "A" stock allocated to the old preferred would be a strictly marginal security. In this connection, it is notable that system earnings available for charges for the 12 months through September 1954, before Federal income taxes, amounted to only $32,873,000. In comparison, requirements ahead of the class "A" stock, including sinking funds and the Additions & Betterment Fund, would have amounted to $37,134,000 under the plan. In other words, even without any liability for Federal income taxes, the company would have to increase its net by more than $4 million over recent levels before anything would be available for payments on the "A" stock. It is also pertinent to note that the sinking funds and that portion of the A. & B. Fund not covered by depreciation accruals (it would amount to about $7 million) are not deductible before Federal income taxes.

NASD Dist. 11 Elects Mumford Governor

WASHINGTON, D. C. — The members of District No. 11 of the National Association of Securities Dealers, Inc., embracing the District of Columbia, Maryland, North Carolina, Virginia and West Virginia, have elected Beverley B. Mumford of Davenport & Co., Richmond, Va., to serve as Governor representing District No. 11 for a three-year term, commencing on Jan. 6, 1955, to succeed Charles P. Lukens, Jr., of Robinson & Lukens, Washington, D. C.

Also elected to serve on the District Committee for a three-year term, commencing next Jan. 16, 1955, are: Joseph P. Kreeger, Jones, Kreeger & Hewitt, Washington, D. C., to succeed Harvey B. Gram, Jr., Johnston, Lemon & Co., Washington, D. C.; Joseph J. Muldowney, Scott & Stringfellow, Richmond, Va., to succeed J. Read Branch, Branch & Company Richmond, Va.

McLaughlin, Cryan Co., NYSE Firm, to Form

As of Nov. 30 the partnership of McLaughlin, Reuss & Co. will be dissolved and McLaughlin, Cryan & Co., members of the New York Stock Exchange, will be formed with offices at 1 Wall Street, New York City. Partners of the new organization will be John F. McLaughlin, Frank M. Cryan, Frank J. Brady, Cyril J. Andrews, who will acquire a membership in the New York Stock Exchange, and George V. Hunt.

Mr. McLaughlin, Mr. Brady and Mr. Hunt are partners in McLaughlin, Reuss & Co. Mr. Cryan is a partner of Frank M. Cryan & Co. and President of Frank M. Cryan Co., Inc.

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Challenge of Industrial Change

which bears on this general question is the provision which permits individual taxpayers to obtain a tax credit for income from dividends. This tends to mitigate the advantage to stockholders of having corporations retain large proportions of current income.

Thus it is apparent that the question of financing capital investment requires fresh study and clarification. The picture is changing, and we must be better informed about it in order to make suitable adjustments in our thinking and our practices.

On the Human-Relations Horizon

The final major trend I wish to call to your attention is the increasing concern of industrial management over human - relations problems. We operate in a different social *milieu* from that of previous generations. America is being transformed into what Sumner Slichter has characterized as a "laboristic society," meaning that political power is held in increasing degree by people who see their primary roles as that of employees. To these people considerations of such things as "security," "human dignity," and "social justice" are particularly important.

Business can no longer justify itself solely in terms of the great material benefits it offers the American people. It must also identify itself with the newer goals in the field of human relations which they have clearly adopted. We cannot turn back the clock, and it would be futile—in fact, disastrous—to attempt to do so. As I said before, the law of life for institutions as for living species, is adapt or perish

I do not mean to suggest that any sweeping alteration in business practices is required. By and large, the American people favor free enterprise; they do not demand any major reforms. What is required of us, however, is that we give increased attention and emphasis to human-relations matters. We must take greater pains to be fair and open in all our dealings with employees and other groups. It is perfectly clear that sharp dealings of any type with employees or other groups represent nothing more nor less than shortsighted stupidity. In modern society, particularly with the excellent communication media in use, it is essential that businesses enjoy good reputations —and good reputations must be honestly earned.

Admittedly, human - relations problems are difficult to handle. It is easy to say that we must be fair, but exactly how to be fair in specific situations is sometimes almost impossible to determine. Practically every problem to come before management has a human-relations aspect like an unknown "x" factor in a problem of mathematics. But, unlike mathematicians, we do not have adequate procedures for solving our "x" factor of human relations.

One difficulty is that we lack suitable productivity measures to establish the true value of labor's services. Much misunderstanding and controversy could be avoided if methods were found to apportion with exactness the values contributed by the various elements which enter into the production process. This is an age-old problem, I know, but it is one which merits our best thought always.

The various problems which I have outlined to you are in reality opportunities for you to make major contributions to your companies and to your country. Your profession has come a long way from the day when the underpaid Bob Cratchit kept books for Ebenezer Scrooge. By extending your service functions into new areas, you have won management recognition and acceptance. You have assumed great responsibilities in the successful operation of industry, and you carry out your responsibilities in an exemplary manner.

To Meet the Challenge

But much work lies ahead for you to do. To meet the changing conditions of this rapidly moving world, management needs new tools for use in the making of policy decisions. The challenge before you is to use your imagination and specialized knowledge in devising the new tools which are required.

The principal challenge, as I have already indicated, is in the area of human relations. Those of you who demonstrate the foresight, understanding, and breadth of knowledge necessary to supply data helpful to management in this area will be particularly well-regarded by all.

Assuming that there is no atomic war, we are entering what I believe will prove to be America's golden age of opportunity. Never before in all our history have we had better reason to be hopeful about the future. To add to a quotation which I cited earlier only in part:

"There is a tide in the affairs of men
Which, taken at the flood, leads on to fortune."

Our tide is at the flood, and we as a people are headed for fortune such as no people have ever dreamed of before. Let us commit ourselves to act wisely and diligently so that our good fortune will not reverse itself upon us, and so that no American will ever have cause to say to a stranger from abroad: "This stood in the days before our country became decadent."

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Consumer Finance and Future Economic Growth

Within the next 20 years there will be other new products to whet our appetites, new processes and new ideas on the location of homes and places to work and shop.

Another important factor is the shift in income distribution. In 1936, 84% of the families in this country had an annual money income of less than $2,000. In 1953, only 23% had an income of less than $2,000 and 52% had an income of from $3,000 to $7,500 a year. Even considering the change in price levels over that period of time, there has been a tremendous increase in middle income families. Relatively few families are now at a subsistence level. Income above that level—what the economist calls discretionary income—has increased rapidly. And it will continue to increase. The middle income groups will benefit the most. Instead of having from $3,000 to $7,500 a year, they will earn $5,000 to $12,000 or $15,000 20 years from now.

Lastly, let me mention the inherent drive in the American people for improvement in their own lot and that of their families; it is the key to the emphasis on education and on vocational improvement; it is the key to our desire for physical goods; it is the key to our desire for leisure in which to enjoy the fruits of our labors, to seek spiritual enrichment, to visit the beauty spots of our country and the world. It is a drive which does not exist in those countries where people find themselves frozen to the lot to which they were born and thus, through frustration, become victims of communistic appeals. This American drive for self-improvement is an important factor in increasing our needs and our desires as fast as our incomes permit.

The Prospect for Consumer Credit

Now what about consumer credit? When I think of consumer credit, I divide it into three groups: convenience credit or charge accounts covering goods or services; credit representing the time payment plan; and instalment loans for purposes other than the purchase of goods and services. Consumer finance, with present limitations on the size of the loan under small loan laws, falls predominantly in the latter group.

Our economy is geared for mass production. Mass production is neither feasible nor profitable without mass consumption. The time payment plan has provided the vital link between the two. The time payment plan will be as important, or more important, in the future than in the past. It is the essential device which gears payments to incomes and thus makes it possible for the average American family to purchase those goods and services which are accepted as the American scale of living.

Our high scale of living is reflected not only in the increased amount of goods and services consumed, but in the increase in their variety and the change in composition of the total. The outstanding characteristic of our scale of living is the large extent to which it is represented by the ownership and continuing enjoyment of the services from homes, cars and other major durable goods owned by the mass of consumers.

I assume that time payment credit will increase as fast, or faster, than the increase in national output. By 1975, it should be two to three times the present total.

The basic role of the consumer finance company, ever since the Small Loan Laws came into existence, has been to provide cash when it is needed, that is, chiefly for purposes other than the purchase of goods and services. Cash is required to meet the two types of financial problems: the need to consolidate debt arising through interruption of income or other causes; and the need to meet unexpected large outlays. The cash loan performs a vital role in our economy.

Cash instalment loans enable families to continue their effective demand for normal daily purchases and thus act as a balance wheel in our economic system. By enabling families to meet emergencies without disrupting normal activities, cash loans provide a real safety valve for our social system.

In an economy such as ours, the large accumulation of durable goods—both in the hands of business and in the hands of consumers—makes it possible for the economy to live off its fat for an extended period. In other words, it makes it possible for both business and consumers to avoid replacing durable goods. It makes possible a large degree of potential instability in the sales of durable goods, both producer and consumer. The higher the scale of living of a nation, the greater the degree of potential instability in the sales of any particular product or type of product, the purchase of which could be postponed by the buyer. Therefore, cycles will continue to exist, some companies will shrivel and die. And, therefore, workers will continue to have interruptions in income through layoffs, movement to other jobs, strikes and illness, as well as other causes.

I assume that cash instalment loans will increase in total along with the growth in the economy. By 1975, they, too, will be about two or three times the present outstandings.

The Consumer Finance Companies

How will consumer finance companies share in that total? That depends on several things.

But first let me point out that, for the country as a whole, outstandings under small loan laws are as high a proportion of total cash instalment loans now as they were at the end of 1939—the first date for which comparable figures are available. Then they were 40% and at the end of 1953 they were 39% of total cash instalment loans, as estimated by the Federal Reserve Board. You know that consumer finance companies operate under other laws, such as industrial loan laws, in some States. It is probable that such loans are considerably larger today than in 1939, and therefore it seems that total consumer finance company outstandings are a higher proportion today than in 1939. Commercial banks held 33% at the end of 1939, compared with 35% at the end of 1953.

Whether we continue to keep as large a share of the growing cash instalment loan total depends upon how well we serve our customers. The consumer finance company has a unique characteristic which is pertinent to any discussion of service to the consumer. As you know, it was created through the efforts of social workers, for the purpose of providing a legitimate source of cash credit for consumers. That background is important. It explains the necessity for the rate of charge permitted in the laws. The rate must permit an efficient manager of a small loan office to advise an involved borrower, to tailor the loan and its terms to fit the borrower's needs, and to apply the appropriate pressure to aid in his financial rehabilitation.

Small loan rates of charge are designed to permit the necessary outlays to insure more complete investigation, servicing and collection of loans, including the smallest loans. Thus, there is an area of the consumer credit field, including all of the smaller loans, but more particularly determined by the character of the borrower and his needs, which consumer finance companies alone can effectively serve.

But experience has shown that in Missouri, where banks are permitted to charge the same rates on consumer loans, the consumer finance company still occupies a unique role. Those bankers who have considered the matter carefully do not wish to handle all of the cash loan business, and realize that a bank cannot serve all consumers adequately. In the first place, bankers generally recognize that sound operating policies require diversification of assets. This principle places a limitation upon the proportion of its assets which a bank can invest in any one field. In the second place, it is necessary for a bank to set higher requirements than a consumer finance company for consumer loans. A commercial bank receives 90% or more of its funds from depositors, largely on a demand basis. Its primary responsibility is to its depositors. A bank is examined rigorously to determine that its loans and other assets do not jeopardize the depositors' position. The consumer finance company can take a considerably greater degree of risk, because its creditors are different and its ownership equity is higher. Thus, most banks recognize the area in which they can more effectively serve and are making the loans to borrowers with larger incomes, involving the least risk and the minimum of service, and usually also of a larger size.

It is undesirable and uneconomic for either banks or consumer finance companies to attempt to serve the area which the other can serve more effectively. There is, of course, a small area of overlap in which the two types of institutions appropriately compete. The exact limits or size of that area are not known. The recent dissertation by Dr. W. D. Robbins at Ohio State University would indicate that it is not large; thus it confirms the conclusion reached by Professor Robert W. Kelso, here, some years ago.

The average loan made under the Michigan Small Loan Law in 1953 was $314, and represents about one month's income of the average borrower. We pointed out earlier that wages will probably rise to 1½ or 2 times their present level during the next 20 years. It is clear then that proper service of our customers will require an upward adjustment in the size of loans permitted under the law sometime before 1975.

In order to attain our proper share of the cash loan outstanding, it is also imperative that the general public and our customers more completely understand our services and business. A continuous educational job is required. Time does not permit discussion of the subject of education. I do wish to pay tribute, however, to the forward looking attitude which this Association has shown with respect to the need for education at all levels and the very important steps which it has been taking to bring about understanding of consumer credit and consumer finance. You have led the industry through Business Education Days, the Michigan Consumer Credit conferences, the Workshop for Economic Education and your training program at the University of Michigan. Congratulations, keep up the good work.

Let me conclude very briefly:

New products, new materials, new methods; more money in the hands of more people, with a drive to have for their families all those things which encompass the American way of life—these are the ingredients for continuing economic growth.

Mass demand can be sustained and progressively expanded only

Distribution of Personal Instalment Cash Loan Outstandings

	Dec. 31, 1939 In Millions	Dec. 31, 1939 %	Dec. 31, 1953 In Millions	Dec. 31, 1953 %
Credit Unions	$132	12.1	$670	15.6
Commercial Banks	363	33.3	1,498	34.8
Consumer Finance Companies' Outstandings under small loan laws	438	40.3	1,677	38.9
All Others (including loans of consumer finance companies under industrial loan and other laws)	155	14.3	462	10.7
	$1,088	100.0	$4,307	100.0

NOTE: The figure for credit unions shown for Dec. 31, 1953, represents E.A.D. estimate of credit union holdings of personal instalment cash loans. It is based on distribution of consumer credit holdings of credit unions on Sept. 30, 1950 and probable subsequent changes (see Federal Reserve Bulletin, October, 1951, page 1246). Total consumer credit holdings of credit unions on Dec. 31, 1953 were $1,064,000,000.

The Federal Reserve Board does not publish as a part of its regular statistics the figures shown above for consumer finance companies operating under small loan laws but does make them available to NCFA.

if the average family can continue its sound use of consumer credit. The average family needs the convenience of charge accounts for its day-to-day transactions, the use of the time payment plan to raise its standard of living, and the safety valve of personal instalment cash lending to enable it to meet those emergencies which are unavoidable in our economy.

How will the consumer finance industry share? Let me answer this with a story which some of you have heard me give once before, six years ago:

There was once a wise old philosopher whose name was Hu Chan. In fact, Hu Chan was so wise and so well regarded that there were those who were jealous of him and sought ways and means of making him lose face. One such person came to him with the following requests:

"Oh, wise one! In my hand I hold a humming bird. You, who know all things, can surely tell me: Is it dead, or is it alive?"

The questioner thought: "If he says it is dead, I will open my hand and the humming bird will fly away alive. If he says it is alive, I can in an instant squeeze it so that it will be dead."

Hu Chan pondered for a moment and then he answered, "As you will, as you will."

It is that thought I would like to leave you with respect to the future of the consumer finance company.

Continued from page 5

The State of Trade and Industry

The oil industry, one of the industry's hottest customers most of this year but recently showing signs of less buying, is likely to buy more steel in first quarter of 1955 than it did in first quarter of 1954. Demand for construction steel continues to amaze the industry.

Strong resistance from consumers shaved some steel scrap prices this week in spite of the very strong outlook for steelmaking. "The Iron Age" steel scrap composite price edged down 17¢ a ton to $33.83 per gross ton.

Overtime and Saturday schedules pushed last week's domestic vehicle output some 21% above the turnout of the week before, according to "Ward's Automotive Reports."

The statistical agency estimated Nov. 8-13 manufacture at 137,103 cars and trucks, compared to 113,041 a week ago and 111,578 in the corresponding 1953 work period.

The 24-week peak in assembly (best since May 29, 1954—141,477 vehicles) found all Ford Motor Co. plants, Buick, some Chevrolet factories, Studebaker and one Chrysler Division putting in overtime or Saturday work. In addition for the second straight week, Cadillac was working two shifts on car assembly the first time in the postwar.

All-told, 12 passenger car builders stepped up their programing as the week's production bettered the same 1953 working period by 23%, marking the first instance wherein this has happened since late January.

Ford Motor Co. recorded the sharpest gain from last week at 62%. General Motors registered a 19% increase, Chrysler 13% and the Independents 9%. The latter total reflected a boost at Studebaker. Kaiser, Hudson and Packard were down all week.

Packard will be back in production this week. However, late Thursday, Automotive Body Division employees of Chrysler Corp. voted to strike, according to the UAW (CIO). The move would seriously impair Chrysler's 1955 model program, which still has not reached wanted levels.

The past week's truck erecting was at a 20-week high—since June 26, 1954 (20,040)—as Ford raised its scheduling and Divco returned to production following inventory.

Cumulative totals for the year show that United States plants have manufactured an estimated 4,569,158 cars and 880,422 trucks, compared to 5,587,010 and 1,060,232 in like 1953. Percentage-wise, cars are down 18.2%, trucks 17%.

This week's Canadian output also showed an increase. Approximately 3,130 cars and 640 trucks were constructed, against 2,939 and 583 a week ago. The upturn still found the year's assembly to date (about 313,893) trailing the same 1953 period (436,274) by some 28%. Biggest decline is in truck erecting now behind 1953 by 48%, with an estimated 61,198 completions this year to 107,285 in the same span a year ago.

Steel Output Scheduled to Climb to 78.9% of Capacity

Steel ingot production reached a new high for the year, says "Steel," the weekly magazine of metalworking, the current week.

In the week ended Nov. 14 it climbed to 77.5% of capacity. This is the highest level since the week ended last Dec. 20. In its current rise, the rate moved up 2 points over the preceding week.

The production peak comes, this trade magazine observes, after a slow but steady climb since mid-July, a trend in direct contrast to that of last year. In the last half of 1953, steel ingot output was on the down-grade. During the first half of 1954, steel production marked time by hovering around 70% of capacity.

There are good reasons to believe the increased rate is not a "flash in the pan," declares this trade weekly. Lending solidity to the outlook are lowered inventories of steel; strong expectations for the automotive and construction industries—the two biggest users of steel; and forecasts that business in general will be a little better next year.

The rise in steel demand comes not only from the automobile industry but also from appliance makers and the farm equipment industry.

Many metalworking companies, says "Steel" are being forced to increase their steel purchases even though their sales are only steady. They've lived up their inventories of steel as far as is safe. They have to buy at least as much steel as they are currently consuming and this is helping boost demand.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 78.9% of capacity for the week beginning Nov. 15, 1954, equivalent to 1,882,000 tons of ingots and steel for castings as compared with 78.6% or 1,874,000 tons the actual output of a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 74.2% and production 1,769,000 tons. A year ago the actual weekly production was placed at 2,044,000 tons or 90.7%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of [illegible] tons as of Jan. 1, 1953.

Electric Output Declines From All-Time Record High Of Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 13, 1954, was estimated at 9,197,000,000 kwh., according to the Edison Electric Institute.

This represented a decline of 160,000,000 kwh. below that of the previous week but an increase of 740,000,000 kwh., or 8.7% over the comparable 1953 week and 1,313,000,000 kwh. over the like week in 1952.

Car Loadings Drop 5.6% Below Preceding Week

Loadings of revenue freight for the week ended Nov. 6, 1954, decreased 41,136 cars or 5.6% below the preceding week, according to the Association of American Railroads.

Loadings totaled 695,097 cars, a decrease of 52,771 cars or 7.1% below the corresponding 1953 week, and a decrease of 134,198 cars or 16.2% below the corresponding week in 1952.

U. S. Auto Output Lifted 21% Above Week Ago

The automobile industry for the latest week, ended Nov. 12, 1954, according to "Ward's Automotive Reports," assembled an estimated 117,078 cars, compared with 93,150 (revised) in the previous week. The past week's production total of cars and trucks amounted to 137,103 units, an increase above the preceding week's output of 24,062 units or some 21% due to overtime and Saturday work, states "Ward's. In the like week of 1953 111,578 units were turned out.

Last week, the agency reported there were 20,025 trucks made in this country, as against 19,891 (revised) in the previous week and 18,075 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 3,130 cars and 640 trucks last week, against 2,939 cars and 583 trucks in the preceding week and 3,333 cars and 837 trucks in the comparable 1953 week.

Business Failures Lifted Moderately Above Previous Week

Commercial and industrial failures increased to 227 in the week ended Nov. 11 from 204 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were considerably heavier than a year ago when 155 occurred or in 1952 when there were 148, but they remained 16% below the prewar toll of 269 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 192 of the week's failures, compared with 176 in the previous week and 134 last year. An upturn also appeared among small casualties, those with liabilities under $5,000, which increased to 35 from 28 and exceeded their 1953 toll of 21. Nineteen businesses failed with liabilities above $100,000, as compared with 13 a week ago.

Wholesale Food Price Index Registers Gains For Third Straight Week

Up for the third straight week, the Dun & Bradstreet wholesale food price index for Nov. 9 went to $6.80, from $6.74 a week previous. It was the highest since Aug. 24, at $6.89, and marked a rise of 4.6% over the year-ago level of $6.50.

Higher in wholesale cost last week were wheat, oats, lard, butter, sugar, coffee, cocoa, eggs, potatoes, rice and hogs. Lower were flour, corn, rye, cottonseed oil, currants, steers and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Scores Highest Level Since March

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., trended upward in the latter part of the week, touching 279.16 on Friday, the highest level since late March. It finished a 278.22 on Nov. 9, as compared with 276.86 a week earlier, and 272.71 on the corresponding date a year ago.

Grain markets were irregular as trading activity expanded sharply following the Election Day holiday.

Wheat prices edged upward while other grains showed moderate losses for the week.

The continued lack of moisture has retarded the planting of Winter wheat over a large area of the Southwest. Some export business in wheat was noted but volume continued below trade expectations. Weakness in corn reflected marketings in excess of requirements. Picking of both corn and soybeans continued to be retarded by soggy fields. Rye worked lower influenced by disappointing export sales and a United States Department of Agriculture report showing stocks at 32,500,000 bushels, the largest Oct. 1 holdings in 10 years. Trading in grain futures on the Chicago Board of Trade averaged 56,000,000 bushels per day, against 52,300,000 a week earlier, and 68,700,000 bushels in the comparable week a year ago.

Prices for both Spring and hard Winter wheat bakery flours moved lower the latest week but declines failed to bring out any noticeable improvement in demand.

Wheat flour production in September, according to the Census Bureau, averaged 940,000 sacks a day, compared with 854,000 sacks in August and 927,000 in the same month a year ago.

Cocoa continued its sharp uptrend, the current Accra quotation showing a gain of about 8 cents a pound over the recent low point. Warehouse stocks of cocoa were reported at 90,840 bags, down from 92,985 a week previous, and comparing with 75,701 bags a year ago. Demand for fresh butter was good with prices holding steady.

Coffee prices were generally steady to slightly firmer although profit-taking and a tapering off in demand for spot supplies caused some easiness at the week-nd.

Raw sugar prics strengthened, reflecting a tightening up of quota supplies and unsettled labor conditions at some leading ports.

Lard prices developed strength as demand broadened. Stocks of lard showed only a small accumulation due to the fact that many swine are being marketed at light weights.

Cotton prices weakened at the close after holding steady most of the week.

The decline was influenced by the latest Department of Agriculture estimate of this year's cotton crop at 13,206,000 bales, indicating a gain of 695,000 bales over the Oct. 1 estimate of 12,511,000 bales.

This year's yield compares with 16,465,000 bales produced last year and with the 10 year (1943-52) average of 12,448,000 bales. CCC loans entries continued to run below expectations although the total of 93,700 bales for the week ended Oct. 29 slightly exceeded the previous weekly high for the season. Total loans for the season through Oct. 29 were 502,500 bales.

Trade Volume Reflects Moderate Gain Above Year Ago

The total dollar volume of retail trade in the week was estimated by "Dun & Bradstreet, Inc.," to be unchanged to 4% above the level of a year ago. Regional estimates varied from the corresponding 1953 levels by the following percentages: Pacific Coast —2 to —6; Midwest —2 to +2; Northwest —1 to +3; South and Southwest 0 to +4; New England +1 to +5 and the East +3 to +7.

Men's and boys' apparel sales rose sharply last week, as suits, coats, work clothes and haberdashery were in heavy demand. Women's coats, millinery and furs were also seasonally popular, but purchases of dresses decreased.

Available 1955 automobile models sold heavily the past week, some at below list prices by second-hand dealers, and order backlogs were heavier than last year.

Used models dropped in consumers' favor. Most major appliances were in lower demand than a year ago, but television sets and radios sold well. Hardware purchases declined. Furniture sales, unchanged from last week, were well below the year-ago level, with living room furniture selling best. Glass and china items and a few Christmas toys were bought.

The seasonal expansion of wholesale buying continued in the period ended on Wednesday of last week as buyers placed orders for apparel, textiles, gifts and furniture at close to last year's volume—in some lines at a slightly higher level than expected.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 6, 1954, rose 4% above the like period last year. In the preceding week, Oct. 30, 1954, an increase of 4% was registered above that of the similar period in 1953 while for the four weeks ended Nov. 6, 1954, a gain of 4% was noted. For the period Jan. 1 to Nov. 6, 1954, a loss of 2% was registered from that of the 1953 period.

Retail trade volume in New York City the past week topped the volume of a very substantial period a year ago, aided by excellent shopping weather.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Nov. 6, 1954, registered an increase of 8% above the like period of last year. In the preceding week, Oct. 30, 1954, an increase of 5% was reported from that of the similar week in 1953, while for the four weeks ended Nov. 6, 1954, an increase of 3% was reported. For the period Jan. 1 to Nov. 6, 1954, no change was registered from that of the 1953 period.

Joins Fahnestock Staff

(Special to THE FINANCIAL CHRONICLE)

BATTLE CREEK, Mich.—Julius R. Brandou has become associated with Fahnestock & Co., Security National Bank Building.

Jackson Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — John P. O'Connor is now affiliated with Jackson & Company, Inc., 31 Milk Street.

Charles Bacon V.-P. Of FIF Management

Charles E. Bacon has been elected a vice-president of FIF Management Corp., underwriters of Financial Industrial Fund, Inc. Mr. Bacon, who will make his offices in New York, at 15 Broad Street, is in charge of eastern district sales for the company.

Walter J. Hood Co. Adds

PORTLAND, Maine — Charles H. McKenney of Portland, Maine, and Albert B. Collins of Camden, Maine, are now registered sales representatives of Walter J. Hood Co., 415 Congress Street. Both were formerly with Clayton Securities in Boston, Mass., in their main office.

Putnam Praises Harvard Fund Performance

The market value of total investments of the 300-year-old Harvard Endowment Fund of Harvary University rose $57,000,000 during the year ended June 30, 1954 to a new record high of $365,000,000.

In its annual research report on the fund, the Putnam Management Company, manager of The George Putnam Fund of Boston, termed the year "probably the most dynamic in the Harvard Endowment Fund's 300-year existence," and, from an investment standpoint "the most outstanding of the six years during which Paul C. Cabot has been Harvard's treasurer."

Common stock percentage in the fund, under the direction of Mr. Cabot and the management of State Street Investment Corporation, has increased gradually but rather consistently, the report said, due to a generally upward trend in stock prices and additional investing in common stocks at almost the same rate as the fund itself has grown.

As of June 30, 1954, common stocks represented 51% of the total fund at market, compared with 49% a year earlier.

The highlight of 1954, the report said, was the "very substantial appreciation in market value of common stock holdings." Mr. Cabot's policy of concentrating common stock holdings among a relatively small number of "blue chip" stocks "paid off handsomely." The 25 largest holdings (at market value) represented 49% of the total, and accounted for over 60% of the year's appreciation in the stock list. Performance of the 25 largest was thus more than 50% better than the other 143 stocks in the portfolio.

The 10 largest common stock holdings in selected industries at market on June 30, 1954 were as follows: Standard Oil Co. of New Jersey, $7,776,000; General Electric, $6,189,000; E. I. duPont, $5,709,000; Seaboard Airline R. R., $5,025,000; B. F. Goodrich, $4,538,000; International Paper, $3,703,000; North American Co., $3,563,000; General Motors, $2,870,000; Aetna Life Insurance, $2,712,000; and Weyerhaeuser Timber Co., $2,646,000.

Despite excellent management and the substantial appreciation in the common stock portfolio, the report continues, Harvard is actually much less well off, from an endowment standpoint, than it was pre-war.

In the year ended June 30, 1954, investment income of $12,236,000 was only 31% of total expenses of the University, while in 1940 investment income paid for 42% of the operating expenses. Inflation and a growing institution have exerted constant pressure for income upon the investment manager, the report said.

Here is a breakdown of distribution of investments by type:

Per cent of Market Value as of June 30

	1929 %	1948 %	1953 %	1954 %
Cash & U. S. Gov'ts.	9.0	28.6	22.0	20.8
Other Bonds*	47.6	†18.5	†22.7	†22.1
Preferred stocks	5.5	9.3	5.3	5.1
Common stocks	25.1	42.2	49.0	51.4
Real Estate & Mtgs.	12.8	.4	1.0	.6

*Other than U. S. Gov't bonds. †Includes Commercial Paper.

The Putnam report said the Endowment Fund's common stock holdings are "successfully performing their income producing function," and noted that the rate of return on the "historical cost" of the entire portfolio was 5.09% in 1954, "the best in many years."

University Funds Are Long on Common Holdings

Exclusive of college plant, more than half the investment holdings of leading universities and colleges are in common stocks, it is reported by Vance, Sanders & Company, principal underwriter for shares of six mutual investment companies with total net assets of more than $1 billion.

A table of figures for 35 institutions, with total endowment funds of $1,721,018,659 shows an average of 38.8% in bonds, 6.5% in preferred stocks, 50.4% in common stocks, 6.0% in real estate or mortgages exclusive of college plant, and 2.3% in other investments. The endowments analyzed range in size from Harvard's $365,011,619 to $7,577,590 for Clark University, in Worcester, Mass.

In an accompanying article entitled "Careful Investing," the management points out that:

"The value of common stocks as producers of income is pretty well demonstrated by the rates of return reported by most colleges on their holdings of various types of investments. In the case of Harvard, for example, the university with the largest endowment fund, the common stock holdings represent 51% of the endowment account but these investments produce 65% of the total investment income received. Similarly, Smith College, which seems to be a typical example of an institution with a moderate-size endowment fund, has common stock holdings representing 60% of the account and produce 69% of total investment income.

"For obvious reasons there are no two colleges which use exactly the same methods in the management of their endowment funds. By and large, however, the colleges appear to have recognized the importance of competent investment management and, in some form or other, employ the services of people who are qualified by training and experience to perform such tasks."

Among the larger accounts shown in the table, in addition to Havard, are those of Yale, University of Chicago, University of Rochester, Princeton, University of California, Massachusetts Institute of Technology, Cornell, Johns Hopkins and the University of Pennsylvania.

"Election Results Won't Affect Market," Fund Economist Stated

"Election results should have little, if any, basic effect on business or the stock market," declared Harold X. Schreder, New York economist, on the basis of a detailed analysis of national elections since 1900. His statement was made on Nov. 3.

"The record showed little evidence," Mr. Schreder said, "that major reversals of trends have been brought about by elections or a change of the party in power.

"I expect the pre-election business and stock market trends to continue. For some time prior to the election, our work showed the existence of three clear-cut trends:

"The downward business readjustment forces had reversed themselves; basic economic conditions are good and they should become progressively stronger for a considerable period of time.

"Despite this after the sharp market rise over the past year, a period of a few months of irregularity and consolidation has been and still is indicated, but the major forces behind the existing uptrend in stock prices are still strong and indicate that most stocks in the market appear to have considerable distance to go both in time and price before before they run into major resistance."

Mr. Schreder is executive vice-president and head of the Investment Research Department of Group Securities, Inc., 61 Wall St.

Mutual Funds

By ROBERT R. RICH

TOTAL ASSETS of the National Securities Series of mutual investment funds, for which National Securities & Research Corporation is investment manager and underwriter, have exceeded the $200,000,000 mark for the first time, it was announced over the week-end by Henry J. Simonson, Jr., President.

Total assets currently aggregate $201,068,625, Mr. Simonson reported.

Established on Sept. 7, 1940, the National Securities Series of mutual funds now comprises seven individual funds: Bond Series, Balanced Series, Preferred Stock Series, Income Series, Stock Series, Speculative Series and Growth Stock Series.

"This remarkable sustained growth of assets of the National Securities Series to surpass the $200,000,000 level, was achieved over the comparatively short period of 14 years, thus reflecting the public's increasing recognition of the value of investing in mutual funds," Mr. Simonson declared.

The new high in assets followed on the heels of the launching on Monday of a record making, concentrated sales effort by Bache & Co., to distribute 2,500,000 shares of the National Securities Growth Stock Series.

The selling arrangement through Bache & Co. and some 5,000 dealers across the nation marks the first time in the investment industry that a single firm is acting as dealer-manager for the sponsor of a sizable number of shares of a mutual fund which has been in existence for a number of years.

AGGREGATE NET assets of the Vance, Sanders group of mutual investment companies last week reached a new record total of more than $1 billion, it is reported by Henry Vance, Senior Partner of Vance, Sanders & Company.

Pointing out that this is the first time that mutual investment companies under the sponsorship of any one underwriter have achieved aggregate net assets running into ten figures, Mr. Vance said:

"This achievement marks another milestone in the growth of mutual funds. It is striking proof of the vitality of the American free enterprise system that, within a period of only 30 years, mutual investment companies have grown from small beginnings to become established institutions with broad acceptance. That our firm has been engaged in mutual fund underwriting throughout this entire period is a source of satisfaction to all of us at Vance, Sanders and Company, and we look forward with confidence to continued progress in this field of dynamic growth."

The Vance, Sanders group of funds comprises Massachusetts Investors Trust, Boston Fund, Massachusetts Investors Growth Stock Fund, Century Shares Trust, Canada General Fund and the Bond Fund of Boston.

Vance, Sanders and Company has offices in Boston, New York, Chicago and Los Angeles and distributes fund shares through investment firms located in every section of the United States and several foreign countries.

PRINCIPAL ADDITIONS to the holdings of Fundamental Investors, Inc. in the quarter ended Sept. 30, included 18.000 Caterpillar Tractor Co., 11,000 Chicago

European Interest In American Mutual Funds Said to Be Specialized

A rising tide of European investor interest in American electronic developments was reported in Chicago Monday by Paul A. Just, Executive Vice-President of Television Shares Management Corporation, who recently returned from a tour that took him to most of the major financial centers abroad.

Mr. Just said this interest was reflected in arrangements made for marketing Television-Electronics Fund in a total of seven European countries. Distribution of the Fund, which concentrates on the electronics and nuclear fields, he added, is being negotiated in several others.

Under these arrangements, he continued, the Fund's shares have been made available to investors in England, Scotland, North Ireland, France, Belgium, Switzerland and Holland. Mr. Just pointed out that these markets, plus the investments the Fund has been attracting recently from Hawaii and South America, serve to make it one of the most widely distributed of American mutual investment companies.

The Chicago investment banker attributed European interest in the Fund to a realization that the mutual fund approach to the dynamic field of electronics is particularly sound and practical.

Mr. Just said that, in his view, European investors and their banking advisers are not too interested in American mutual funds as such. He found, for example, that several countries—for example, Switzerland and Holland — have set up their own companies for investing in American securities. "Yet," he observed, "Swiss and Dutch financiers were definitely interested in Television-Electronics Fund because it offered an overall investment in America's most dynamic field that otherwise was not available in the same form in that country."

Television-Electronics Fund, organized in 1948 with assets of a little more than $100,000, recently reported resources of over $55,000,000.

CANADA GENERAL MERGER

In accordance with the merger plan recently approved, an exchange ratio of 1.224735 shares of Canada General Fund (1954) Limited has been set for each share of Canada General Fund, Inc., it was announced today. No fractional shares will be issued, so any balance of less than a share will be settled by means of a cash payment.

A holder of 100 shares of Canada General Fund, Inc., for example, will receive in exchange 122 shares of Canada General Fund (1954) Limited plus a check for somewhat more than four dollars. Delivery of the new certificates is expected to begin about Nov. 24.

Final figures on the merger vote, which required approval by two-thirds of the outstanding shares of Canada General Fund, Inc., show that 77.8% were recorded in favor, with less than 1% opposed. Combined assets of the Funds on Nov. 5 were approximately $51,184,000.

A final dividend of 6½ cents a share from accumulated income to the merger date has been declared by Canada General Fund, Inc., payable Nov. 30, 1954 to shareholders of record at the close of business on Nov. 5. As with other dividends during the last 12 months, a 15% Canadian tax will be withheld from this dividend, but the amount of this tax may be applied as a credit against United States income taxes.

Corp., 19,000 Continental Oil, 5,000 Eastman Kodak, 9,000 Louisiana Land, 4,000 Ohio Oil, 8,000 Socony-Vacuum, 16,000 Southern California Edison, 5,000 Standard of California, 21,000 Texas Co. and 67,000 United States Steel.

Sales included 5,000 American Can, 16,000 Gimbel Brothers, 14,900 Grand Union, 3,000 Monsanto, and 10,000 Youngstown Sheet & Tube.

Among issues eliminated from Fundamental's portfolio were: American Smelting, Colgate-Palmolive, Koppers, Northern States Power Company (Minn.), Richfield Oil, South Carolina Electric, Standard Oil of Indiana and Worthington Corp.

TOTAL NET ASSETS of Financial Industrial Fund, Inc. were $27,254,000 on Nov. 10. In a period of one year, total net assets have increased $11,310,000.

SUBSTANTIAL CHANGES were made during the past quarter in the investment portfolio of Institutional Growth Fund, a mutual fund managed by Institutional Shares, Ltd. Extensive additions and deletions of securities in the fund's portfolio were revealed by Emlen S. Hare, President, in a letter to stockholders accompanying the latest cash distribution, payable Nov. 1.

New investments during the three months ended Sept. 30 last included American Airlines, Inc.; American Stores Co.; Celanese Corp. of America; Monsanto Chemical Co.; Pan American World Airways, Inc.; Phillips Lamp (Holland); Radio Corporation of America; Trans World Airlines, Inc.; Union Bag & Paper Co.; United Air Lines, Inc.; U. S. Pipe & Foundry Co.; Vick Chemical Company.

Securities eliminated from the portfolio during the quarter included: Aluminum Company of America, Carrier Corporation; Emhart Manufacturing Co.; Smith, Kline and French Laboratories; Southwestern Public Service Co.; Westinghouse Electric Corporation.

Net assets of Institutional Growth Fund as of Nov. 1, 1954, were $5,631,323 compared with $4,740,149 three month previous.

PERSONAL PROGRESS

MORRIS M. TOWNSEND of Short Hills, N. J., was elected a director of Vitro Corporation of America at the regular board meeting it was announced by J. Carlton Ward, Jr., President.

Morris M. Townsend

Mr. Townsend is Executive Vice-President of Axe Securities Corp., and the Axe-Houghton Mutual Investment Funds. On the Vitro board he replaces William B. Paul of Pittsburgh.

Mr. Townsend, a graduate of Southern Business University, joined International Harvester Co. in Atlanta, Ga., in 1924, and in 1927 entered Wall Street where he was associated with several investment banking firms, including Glore Forgan & Co. and W. E. Hutton & Co.

During World War II he was National Director of Banking and Investments of the Savings Bond Division of the Treasury Department. Originator of the bond-a-month plan, he was awarded the Treasury's distinguished service medal and citation.

Mr. Townsend, a writer and lecturer on financial and economic subjects, is a member of the Board of Managers of the New York Bible Society and of the Board of Directors of Central Explorers, Ltd.

Ten Million Houses In Next Ten Years Forecast by Bullock

A continued, strong demand for housing throughout the rest of the decade, amounting to 1,000,000 new residential starts a year, is believed feasible by Calvin Bullock on the basis of a study of the construction industry just completed by the firm's investment management department.

Besides easy financing, the study sees other important supporting factors. "The substantial migration of population from certain sections of the country to others in recent years," the study states, "the shifting of industry away from old centers and the local shift of people from city to suburb all create a demand for housing quite independent of increase in population. Many economists see this relocation going on for years ahead as one of the primary economic forces.

"The redistribution of incomes has raised a much larger proportion of families to the $4,000 to $7,000 bracket and has made home ownership possible for millions who previously could not have had such aspirations.

"In the last few years, there has been a reversal in the trend towards small families and the two bedroom houses which were adequate immediately after the war no longer satisfy requirements. Indeed, there seems to have been two building booms. The first was occasioned by the need to meet immediate requirements with almost any type of shelter.

"This phase seems to have ended by 1950, to be succeeded by a boom to meet a demand partially due to the growing inadequacy of much housing provided in early periods. A third phase may be in the making based predominantly upon further improvements in living standards."

The development of new residential areas, the study points out, creates need for commercial structures, public utilities, highways, and various public and semi-public utilities which serve the community. "It would not seem reasonable to expect much of a reduction in other construction," the report states, "while residential construction remains active."

A vast backlog of necessary public projects exists, the study finds, ranging from roads to conservation developments and to education, health and administrative facilities.

"Many of these represent acute current needs," says the study, "and have not been entered upon chiefly because labor and materials have been needed for even more necessary private projects. If the private economy tends to sag, the government can embark upon a construction program which will add real value to national assets."

FRIDAY, NOV. 5 marked the 25th anniversary of the Loomis-Sayles Mutual Fund. The first investment in shares of this Fund was made on Nov. 5, 1929, just as the drastic break from the 1929 stock market boom was gaining momentum.

Managed by the investment counsel firm of Loomis, Sayles & Company, the Fund was one of the very first investment companies in the country to incorporate in its name the idea "Mutual" which is today the basis of the $5,000,000,000 open-end investment Fund industry.

Total net assets now amount to $38,078,000. At the end of the Fund's 25th anniversary year, there were 943,040 shares outstanding distributed among 6,800 shareholders, representing all of the 48 states and many foreign countries.

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The Security I Like Best

owned by management, investment in the company is restricted to the 116,298 shares of participating preference stock outstanding. (Balance of capitalization consists of $600,000 mortgage held by Penn. Mutual Life Insurance Co.) Because of the special provisions provided for participating preference stock, it has an unusual degree of appeal. The holders of the participating preference stock are entitled to receive cumulative dividends at the rate of 50 cents per year, payable semi-annually. Additional dividends of up to $2.00 per share may be paid on these shares in any fiscal year and if such additional dividends are paid, then dividends up to but not exceeding $2.50 per share may be paid on the common stock. In other words, no dividends may be paid on the common stock in any fiscal year until after a total of $2.50 per share is received in that year on the participating preference share. An initial annual dividend of 65 cents per share was paid July 1, 1952 on the participating preference stock. A semi-annual dividend of 35 cents per share was paid Jan. 1, 1954 consisting of 25 cents regular and a 10 cents extra and a similar amount was paid July 1, 1954.

The redemption provisions of the participating preference stock are another investment incentive, since this issue is redeemable at the option of the company at any time on 30 days' notice at the greater of (1) $20 per share plus accrued dividends, or (2) an amount equal to the book value of such shares as of the close of business on the last day of the second calendar month preceding the date of redemption. In effect therefore, the participating preference shares, traded in the Over-the-Counter Market, have a MINIMUM redemption value of $20 per share as compared with a current market value of about $15.

With respect to the $20 redemption price, it is noteworthy that management has a reputation for being generous to both stockholders and employees. Stockholders received confirmation of this policy in April of 1953 when the company raised the redemption price on the outstanding preference stock from $11 a share to $20 a share. Employees have similarly benefitted, as reflected by the company's adoption of one of the most liberal profit-sharing plans ever placed in operation. The success of these policies in the past suggests that participating shareholders and employees will continue to be generously rewarded in the future.

FRANKLIN T. McCLINTOCK
Vice-President
Harriman Ripley & Co., Incorporated, New York City

Carrier Corporation (A Security I Like)

There are five basic reasons why I like the common stock of Carrier Corporation, the oldest name in air conditioning and the leading company in the field: First, interior climate control, or air conditioning, has only begun to change the manner in which we live; the growth potential is tremendous. The public is now aware that we can sleep, work and play better if the air we breathe is properly controlled as to temperature, moisture content, movement and cleanliness. Year-round air conditioning is rapidly becoming a "must" and recent predictions that the sales volume of the industry, at retail price levels, might increase by 250% in the next 10 years may, in fact, prove to be conservative.

F. T. McClintock

Second, Carrier Corporation has devoted its activities with singleness of purpose to maintaining world leadership in air conditioning and kindred fields. It is essentially a one industry company and an investment in its shares provides a medium for full participation in the expected growth of air conditioning, undiluted by activities totally unrelated to the field. One defense contract involving a product not related to air conditioning was completed in 1953. Currently all defense work is related to the regular products of the company.

Third, Carrier participates importantly in all phases of the air conditioning industry. In recent years Carrier is believed to have been the most important producer where "big contracts" are involved, that is in tailor-made air conditioning of large office buildings, hotels, department stores, ships and factories. The Pentagon building, the largest air conditioned structure in the world, is Carrier equipped. For use in these installations Carrier manufactures such items as centrifugal refrigerating machines, air and gas compressors, absorption equipment, and in general all basic products that enter into air conditioning and industrial refrigeration systems of the central station type, whether installed directly by Carrier engineers or by independent contractors.

Also important to Carrier is the manufacture and sale through distributors and some 3,000 dealers of self-contained units, ranging in size from small room air conditioners of the window type to larger units for the air conditioning of commercial establishments or for the year-round air conditioning of homes. It is estimated that approximately 50,000 homes were completely air conditioned in the United States in 1953 on an industry-wide basis, and this number should grow by leaps and bounds in future years. The overall success of Carrier may be measured by the fact that its sales volume, including defense sales, increased from about $23.5 million in its 1946 fiscal year to $164.4 million last year, an increase of more than 630%.

Fourth, Carrier is adequately equipped to handle a large volume of air conditioning business. With some 34 acres under roof at its main Syracuse plant, its manufacturing facilities are modern and efficient. Its marketing organization is seasoned. The credit of Carrier is such that it should experience no difficulty in raising additional capital as needed to finance further expansion of its business.

Fifth, the success of any company is generally measured by the abilities of its top management and in this respect Carrier ranks with the best. Under the leadership of Cloud Wampler, President and Chairman of the Board, a management team has been developed which has the necessary know-how in the field, plus enthusiasm and a willingness to work hard. The group is convinced that air conditioning is on the march and its announced objective is to maintain world leadership in the industry. To attain this objective the "Carrier Creed" names six sub-objectives, namely (a) to lead in research and development; (b) to offer products and service of unsurpassed quality; (c) to operate with maximum efficiency, looking toward the lowest possible costs and prices; (d) to pay its people well and provide steady employment, excellent working conditions and every opportunity for advancement; (e) to encourage all Carrier men and women to take a working interest in the well-being of their communities and the nation, and (f) to make a profit and compensate fairly those whose savings are invested in the business.

The "Carrier Creed" ends with this thought: "By doing these things well—and in balance, each with the others—Carrier Corporation will serve the best interests of its customers, employees and stockholders and will make a continuing contribution to the public good."

Carrier Corporation common stock is listed on the New York Stock Exchange and is currently selling at a price of 55⅝.

First Boston Group Offers Campbell Soup Stock at $39.25 a Sh.

Securities of one of the nation's oldest and largest food processing companies — one whose products have been staple fare for generations of Americans—were made available to the investing public yesterday (Nov. 17) for the first time. A nationwide underwriting group comprising 230 firms, headed by The First Boston Corp. publicly offered 1,300,000 shares of capital stock of Campbell Soup Co. at $39.25 per share.

The offering is the largest secondary stock distribution on record. The shares being sold represent part of the holdings of the estate of Dr. John T. Dorrance, sole owner of the company, who died in 1930. After this sale and giving effect to shares being made available for employees, the estate will own about 85% of the company's capital stock. Campbell Soup has no outstanding debt. Sole capitalization consists of 10,021,379 capital shares.

The company will pay a quarterly dividend of 37½ cents per share on the capital stock on Jan. 31, 1955 to stockholders of record Jan. 4, 1955. Dividends have been paid in each year since 1902.

Incorporated in New Jersey in 1922 as successor to a business established 53 years earlier, Campbell Soup Co. today is the largest manufacturer of canned soups, spaghetti and blended vegetable juices in the United States and Canada. It is the second largest processor of canned pork and beans and of tomato juice. Operating nine plants, seven in this country and two in Canada, Campbell normally employs about 13,500 persons, with several thousand more added during specific crop seasons.

In the past decade, sales of the company's products have almost trebled, rising from $117,854,000 in the fiscal year ended July 31, 1944, to $338,668,000 for the year ended July 31, 1954. Net income for the fiscal period ending in 1944 amounted to $10,993,000, or $1.10 per share on the present capitalization, and $23,563,000, or $2.36 per share, for the 1954 period.

Financing of currently authorized capital additions, estimated to cost $35,000,000, is expected to be derived from internal sources. In addition to the frozen food facilities, other construction includes major expansion at the Sacramento, Calif., plant; a proposed new plant in Napoleon, Ohio, for a complete product line, and a finished product warehouse at the company's largest plant, located in Camden, N. J.

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Security Ownership and American Securities

edly; in the course of both of these recessions dividends actually rose.

In connection with the 1953-54 recession it is interesting to reflect that investors repeated the mistake, made only four years earlier, of becoming over-bearish. I believe that an important reason for the failure of investors to learn from the experience of 1949 that we really had a pretty strong economy was a tremendous subconscious desire (or maybe not altogether subconscious) of sympathizers with the previous Administration to discredit the new Administration. In should be remembered that the Democrats hold the allegiance of a major sector of the "intellectuals" who are not only unusually articulate and persuasive, but frequently have little real understanding of economic matters.

Having briefly reviewed these incidents, we now are in a position to discern a few more general principles for our future guidance. First, looking back over the whole history of the period since 1910, it is evident that we are an extremely strong and resilient people, and at this time it might be logical for us to list the main long-term elements of this strength. These elements are (a) intelligence in all levels of the population; (b) a general willingness to work; (c) a belief in the possibility and desirability of personal advancement—what the sociologists call "social fluidity"; (d) a willingness to save, which means a sacrifice of present satisfaction for future advantage; (e) a belief in progress and invention; (f) a belief in honoring contracts and paying debts—the latter trait a distinct contrast with many areas of the world; (g) relative contentment with the present organization of society. All these things sum up to the background of a more thoroughly capitalist society than the world has ever seen. Viewed in these terms, this is really something new and unique.

Secondly, not only are we a strong people, but also we are a volatile people, given to emotion in financial matters. An unemotional view of security values at times can pay large dividends, as the market record of the past year proves.

Thirdly, although we are volatile and emotional in financial matters, our economy itself is now relatively stable and safe, thanks to the fact that our techniques of monetary management have improved and many counter-cyclical activities by both government and private business are now taken as a matter of course. The role of private business in this respect seems likely to increase and of course potentially it is much more powerful than anything the government can do—an example of this type of activity was the $1 billion expansion program undertaken by General Motors in the first part of this year.

Fourthly, most of the time, based on the record of the last 25 years, we are not very bright about picking political leaders with financial common sense. 1952 was a conspicuous exception.

Another principle which we should understand is that neither inflation nor deflation is particularly good for security prices. Stability in the monetary and price atmosphere is to be hoped for. We have, in fact, had a considerable degree of stability since the post-Korean excesses, and this stability is one of the reasons for the developing confidence which has been so manifest in the stock market for the past year.

A further principle is that high taxes and government spending in excess of its receipts are, generally speaking, bad for business. In a growing economy a dollar in the hands of a citizen is much more wisely and dynamically spent than a dollar in the hands of government. A corollary is that tax reduction can mitigate or eliminate recession. The 1949 recession was a minor one because of the tax reduction in the preceding year. The recession of this year would probably not have occurred if the Administration had reduced normal corporate taxes or if it had effected a wider cut in individual tax rates. Happily the present Administration is fully aware of the role of taxes in relation to business activity and stockholders can, for the next two years at least, feel free from fear of a renewal of the cynical tax-spend-elect-inflate sequence that was so damaging prior to 1952.

A Forecast of Economic Conditions

Equipped with these principles, we are in a position to sketch the general background for a forecast of economic activity over the next few years. To begin with, the rate of invention will be high and technological progress will be rapid. The whole history of invention in this country, and in fact of economic development as a whole, has been one of **acceleration**, as pointed out long ago by Henry Adams. The next major field of exploitation is obviously that of nuclear physics.

Moreover, the population will increase, particularly in the oldest and youngest age groups. Virtually all official forecasts in recent years have erred on the conservative side. One authoritative private forecast calls for an increase in the population at large of about 12% in the next 10 years with an increase in the working force of only about 11% — suggesting an increasing need for labor-saving inventions.

There will be an ample supply of savings, both voluntary and created via the pension-plan, life-insurance and mortgage-retirement routes. Thanks to the fact that common stocks have now gained respectability as institutional investments a considerable part of this supply of savings will be available to the equity markets; it should be remembered, however, that the institutionalized segment of savings will tend to be channeled to the larger companies. On the other hand increasing numbers of individuals are becoming share owners, and new issues of merit now find a ready market.

An added consideration of importance to shareholders is that although not immune to misjudgment, managers of institutional stock holdings will probably act in a less volatile way than individuals, and that therefore we now have in existence a factor which will tend to dampen market swings, thus making stocks more desirable holdings. A further effect of this development is that corporate managements seeking to gain market acceptance for their stocks will tend to pursue the stable type of policy that will appeal to institutions rather than the more dazzling policies that might interest speculators.

An increasing number of large corporations will adopt the extremely broad view of their responsibilities to, and position in, the community at large, for which the pattern has already been set by such companies as Standard Oil of N. J., General Motors and General Electric. Increasing public awareness of the fact that the modern corporation really is a sound and responsible vehicle for community development should be an important factor in bringing about a higher evaluation of common stocks, and should also serve to check reckless political attacks on corporations. For a discussion of this whole subject I recommend a new book which some of you have undoubtedly already read—Mr. A. A. Berle's "20th Century Capitalist Revolution."

While we are talking about economic background for the future, I think we should discuss one or two more general considerations. The first of these is the impact on our economic pattern of events in the world outside the U. S. Before World War I a high proportion of the economic development of this country was financed through loans from abroad, and a very considerable part of stocks in American corporations was owned abroad. This was so much the case that upon the outbreak of World War I, despite the fact that we were not involved, the Governors of the Stock Exchange did not hesitate to close it, and the market was not reopened for over six months.

Fifteen years later our 1929 difficulties were preceded by difficulties abroad, such as the Loewenstein scandal, the Hatry failures and the collapse of the Kredit Anstalt, not to mention Mr. Ivar Krueger's frauds. Moreover, the British devaluation of 1931 preceded our own bank closings by a year and a half.

Following 1929, during the next 20 years the net effect of events abroad was a heavy drag on us. First there were bond defaults, particularly marked in South America and some of the weaker European countries, then there was Lend-Lease and finally the Marshall plan, all of which cost American investors and taxpayers billions. Now, however, generally speaking, foreign economies are pushing ahead even more vigorously than our own. Debt service has been resumed on German and Japanese bonds, American companies are actively seeking investment opportunities abroad and the foreign situation has now become a help rather than a hindrance.

Labor Leaders Power

It will be remembered that at the beginning of this talk reference was made to the multiple claims on corporate gross income ahead of the stockholder's share. The largest of these claims is that of labor, in view of the tremendous growth in the power of labor leaders in the last 25 years we should consider this aspect of our social structure and its relation to stock values. This is particularly important in connection with the dividing up of our increasing productivity.

Ideally, the fruits of higher productivity resulting from invention and the application of increased amounts of capital should be equitably divided between consumers, labor and stockholders. In practice, during the New and Fair Deal years, the political formula then operative required that labor obtain the whole of productivity increases. More recently, largely due to the shortage of equity capital, there has been an evident tendency to divide new increments and profit between labor and the stockholders. The steel industry provides an interesting example of this tendency. The cost of the last two wage increases has been passed on to consumers in full in the form of higher prices, and profits have been relatively well maintained in the face of falling volume.

A problem which has long worried many observers is the evident ability of organized labor, particularly in certain skilled trades, to exploit the rest of the community in an unreasonable manner. There are now at least a few signs developing that, on the one hand, labor leaders are becoming somewhat more responsible, and on the other, that corporations are becoming more skillful in labor relations. In fact, some unions have complained of "union busting" when corporations have sought to anticipate legitimate demands of workers. On balance, we can probably conclude that the activities of organized labor in the future will be less harmful to the community and to stockholders' interests than they have in the past.

Securities Research

Having reviewed the general background that we can anticipate for the next few years, it seems wise for us to devote a little time to the matter of securities research. The objective of research is to produce investment programs that will, over a considerable period of time, bring maximum return with minimum risk. Good research starts with fact collection, proceeds to correct interpretation of facts in the light of the anticipated economic background, and then applies to this interpretation a judgment on how future markets will view the expected state of facts. The late Lord Keynes called this latter aspect of research "judgment of the second order" i.e., the problem being not only to choose the best values, but also to choose what the market will consider the best values to be.

In a typical research project, concerning a single company, analysts will interview the company's management, its customers, those who supply it with raw materials, its bankers and its competitors. A good analyst will attend the trade conventions of the industries which he follows and know the editors of trade publications in the field. With all of this information the analyst is in position to arrive at as good a judgment as possible concerning the company's future. Even with this care mistakes are made, but investing done without careful analytical work of this sort must necessarily be little better than speculative guesswork.

This seems like a good time to ask ourselves what an analyst looks for in a sound stock investment. Expressed as simply as possible, the answer, I think, is that he first looks for good management—an obvious must. Then he looks for some degree of shelter from competitive pressures. This shelter tends to find expression in wider-than-average profit margins and therefore in superior profit-making performance in both good times and bad. A sheltered position of this kind can come from a variety of elements. Most good companies benefit from more than one of the following: (a) a **franchise** granted by a government to a monopoly-such as an electric utility. (b) **Dominant consumer acceptance**, such as is enjoyed by General Motors. (c) Tremendous **advertising power**—cigarettes furnish a good example. (d) **Patents and invention**—General Electric is outstanding in this respect. (e) **A settled trade position**—the major steel companies need not fear new competition. (f) **Legal monopoly** — oil companies, through the Interstate Oil Compact Committee, legally adjust supply of crude to demand for the purpose of price maintenance.

This brings us to the point where we can make some specific forecasts and mention a few names of companies. These forecasts are made on the basic assumption that we will continue to avoid war, that our population will continue to grow and that no unwise government action will reverse the evident expansionist tendencies now at work in our economy.

Our most prosperous business is the building business. Even in this year of recession, building reached a new high, and activity seems likely to remain at record levels for many years to come. Allied to building is the "do-it-yourself" trend which is the concomitant of more leisure time for a hard working people. As beneficiaries of a high rate of building activity and do-it-yourself, I call your attention to **Johns-Manville, Sherwin-Williams** and **U. S. Plywood.** The economics of the last two companies in particular have been vastly improved quality-wise by the fact that their product is now to a large extent bought by individuals in small lots. This is in contrast with the situation 25 years ago when brand names in tnese fields meant little.

The next industry that we should consider is America's favorite—automobiles. The automobile industry was both cause and victim of the recession this year. Production dropped from seven million cars and trucks in 1953 to an estimated 6.1 million this year. It seems logical to expect that production will advance next year to at least 6.5 million units, and further improvement should follow in subsequent years. **General Motors** has displayed high earning power in a year of recession, and its dividend-paying ability is increasing. The stock of this brilliantly-managed, world industrial leader seems, despite recent price advances, still to be deeply undervalued.

Serving the building and automobile industries is another group of companies to which the market has long attributed what seemed to be unwarrantably low values—**the steel industry.** Steel securities sell at only a fraction of what it would cost to reproduce their plants. The steel companies have this year amply demonstrated their ability to maintain earnings in the face of recession, and the construction programs of recent years have not only fortified them from the point of view of keeping costs low, but in an accounting sense, thanks to accelerated amortization of new plants, have greatly increased their dividend-paying ability relative to earnings. The leading steel stocks, particularly **U. S. Steel,** seem destined to be market leaders for some time to come.

I have already referred to the excellent prospects for **International trade** and the fact that standards of living abroad are rising percentagewise even faster than here. The great international oil companies and at least one international banking institution — **the National City Bank of New York**—offer high quality, generous yielding investment opportunities.

The very essence of a more productive economy is increased use of power by workers. Power nowadays means **electrical power,** and it is interesting to notice that since 1946 the usage of electric power per worker in this country has risen by the enormous amount of 52%. The distribution of electricity and the manufacture of electrical equipment continue to offer attractive employment for investment funds. The most interesting utility investments are to be found in the states that are growing fastest, and **Florida Power & Light** would seem to qualify as the most interesting utility opportunity. Among electrical equipment manufacturers **General Electric** has no peer and it also probably offers the best means of participating in the commercial development of nuclear energy. Its stock has risen greatly this year and some time may have to elapse before it enjoys a further forward surge. Nevertheless, further progress seems inevitable, and all things considered, it is not overvalued at present.

We have now reviewed objective modes of thinking about our economy and the investment opportunities that it offers. We have refined these modes of thinking

into investment principles, and we have in turn focused these on specific companies. I hope that you are persuaded that security ownership can be highly rewarding and that you believe, as I do, that America's future is a brilliant one.

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A Look Ahead in Steel

cates that the low point in the downward cycle was reached some time last summer—that the difficult transition from war to a peacetime economy is largely behind us, and that we are back on the upgrade again.

Definitely, that seems to be the case in the steel industry. Orders on our books at U. S. Steel have been trending upward steadily since early in August, and last month, for example, they were 380,000 tons above the level of the previous October. Moreover, our backlog of unfilled orders has been increasing in recent weeks for the first time in more than a year. And if we look at the picture on an industry-wide scale, here is what we find: At the low point last summer, the operating rate fell to 63% of capacity. Today it is 77%, and I believe that it may average out at about that figure for our fourth-quarter operations as a whole.

Now to those of you who recall the recent years of steel shortage, when our plants were bursting at the seams in an effort to meet the emergency requirements that were imposed upon them, it may seem that an operating rate of 77% is nothing to crow about. But in that connection, I should like to remind you of two things:

About the Steel-Making Capacity

First, that the steel-making capacity of the industry has been increased enormously during the past few years; so by operating at 77% of today's capacity, we would actually get more steel than a 100% rate would have given us only six years ago.

Second, I should also like to point out that steel plants were never intended nor designed to operate at 100%. Historically, the industry has always sought to maintain a substantial reserve of capacity for use in times of great national emergency; and at such times, it has been able to run at 100% only by resorting to the uneconomic use of marginal facilities, materials and manpower.

Even during World War II, when it was breaking its neck to produce every pound of steel that it could—and when the plants of U. S. Steel alone were outproducing all the Axis nations put together—the average operating rate for the industry was just 94% of capacity. And the average annual production, incidentally, was 86 million ingot tons which is almost exactly the same amount as the industry expects to turn out in this so-called recession year of 1954.

So while a 77% rate of operation can hardly be said to represent the zenith of my hopes and aspirations for the future, we must recognize, I think, that it is not too far below the level which might be regarded as normal in an average peace-time year. In fact, it is actually quite a bit higher than the average operating rate which has prevailed so far this century both in peace and in war.

Steel Business Is Getting Better

Therefore it seems to me that an accurate appraisal of the steel business as it stands today would be this: It is comparatively good, and it is getting better.

Now in looking to the immediate future, our market surveys at the present time are shaping up in this fashion:

Three industries account for the greatest part of the total market for steel in this country. They are automobiles, construction, and machinery. Current indications are that the consumption of steel in each of these industries may fall a little below the levels of the present year. It is also expected that defense orders will decline somewhat and that the demand for steel rails, freight cars, and plates for shipbuilding will continue to lag. That is the minus side of the story.

On the plus side, the container industry is using an ever-increasing amount of steel and we expect that this trend will continue for some years to come. Then too, an important part of our total production goes to steel warehouses, for sale in what might be termed the "retail trade"; and this tonnage should also increase in the coming year.

In the other leading markets for steel — such as oil-country goods, agriculture, the appliance industry and the export trade—consumption is expected to remain at the general levels which prevailed this year.

So when all these factors are added up and balanced out, our market analysts conclude that the actual consumption of steel could decline somewhat in 1955; but that the production and sale of steel will increase. And the explanation of this seeming paradox, of course, is really very simple.

Inventory Cutting At End

The answer, as you know, is inventories. During the years of shortage, most of our customers have had to maintain a relatively large reserve supply of finished steel in order to insure the continuity of their operations; but now that steel has become plentiful again, they have been able to cut back these reserves substantially. So for a great many months, now, America has been consuming a good deal more steel than it has been producing. Our surveys show, for example, that in the five months from April through August of the present year, about 15% of all the steel that was used in this country came out of inventories.

Today, however, it appears that this process of inventory-cutting has gone just about as far as it can go; and in some cases, I am inclined to believe that it has been carried beyond the point of prudence. So it would not surprise me greatly if steel inventories generally were to rise in the months ahead.

But even if they do not do so—if they simply remain at their present low level—I would estimate, conservatively, that our industry will have to increase its output, next year, by some 5 to 10 million ingot tons—just to keep pace with the anticipated rate of steel consumption.

And any such increase in production, of course, will tend—in itself—to generate a further demand for steel. As an illustration of the way this happens, I might point to the case of the railroads which have been especially hard hit by the postwar transition in our economy. They have had to cut down sharply on their purchases of rails and freight cars and a lot of other equipment that they badly need. But every time we make and sell a million tons of finished steel, it means that some five million tons of freight must be hauled to and from our mills. So any upturn in steel production will result in an immediate increase in freight revenues for the railroads, and this in turn, should enable them to start catching up on their delayed purchases of steel.

The Impact of Toll Road Building

Now another highly important factor which must not be neglected in any appraisal of the immediate future is the new trend toward the building of toll roads. For many years it has been clear that our national highway system has become the most over-crowded and under-built segment of our entire economy. This has been due in large measure, I think, to the fact that almost all of the roads that are now in existence have had to be paid for out of taxes; and that it has become virtually impossible to raise taxes fast enough to keep up with the needs of this modern age of automobiles.

But recently, a number of states have undertaken the construction of magnificent, high-speed, expressways which are financially self-supporting, and which do not add in any way to the present crushing burden of taxation. They are paid for out of the modest tolls collected from the travelers who use them; and they have become so popular that the demand for more such roads is mushrooming all over the country. Here, for example, are a few figures which may interest you:

There are 1,150 miles of these toll roads in operation today. Another 1,450 miles are currently under construction. Work on 3,700 more miles has been authorized but not begun. And a further 2,650 miles are in the planning stage at this moment. Thus within the next few years, there should be nearly 9,000 miles of these turnpikes and throughways in operation—or almost eight times as many as we now have. And this of course will not only require heavy tonnages of steel for bridges, culverts, reinforcing bars, frames, guard rails, machines, tools, and road signs, but it will also stimulate greatly, I am sure, the demand for more automobiles.

A Healthy Growth Ahead

So, on the basis of all these facts and surveys, it seems to me that even the most conservative forecaster would be bound to conclude that the years immediately before us are rich in their promise of a sound, steady, and healthy growth, not only in the steel industry, but throughout the economy generally. My personal opinion is that the year 1955 should be one of moderate gains all along the line; and that business, as a whole, will gather its strength and regroup its forces for a still more rapid expansion in the latter part of the 1950's.

And if we look still farther ahead, the prospects appear so bright that it is sometimes hard to see how we shall manage to measure up to all the demands which will be made upon us.

Within the next 20 years, for example, there will be 45 million more people in this country—45 million more people to be fed and housed and clothed. Can you imagine what that will mean to our economy?

Well, let me tell you very simply what it means in terms of steel:

Last year, our industry — operating at almost full capacity—produced about 1,400 pounds of steel for every man, woman, and child in America. So if the per capita consumption remains at that level—and even if it does not rise, as it always has throughout the present century — we shall need to increase our steel production by about 31½ million tons in the next 20 years.

Now most of you (members of the Alabama State Chamber of Commerce) I am sure, have seen our plants at Tennessee Coal & Iron Co. and you know what an enormous expenditure of money and effort they represent. But the total capacity of TCI is less than 4 million tons per year; and it will take 8¼ more works of that size just to meet the requirements of our growing population. Thus the steel industry is going to have to add the equivalent of one new TCI every two and one-half years from now on—assuming even that our individual requirements for steel do not increase.

And personally, of course, I think they will increase—substantially. It is true, to be sure, that steel will face more and more competition from new materials — such as titanium and plastics, for example—but so long as it continues to be the cheapest, strongest, most plentiful, and most versatile metal known to man, there is no doubt in my mind that an ever-growing number of uses will be found for it in the coming atomic age.

At Gateway of a Scientific Revolution

We stand today at the gateway of what promises to be a great scientific revolution which will probably work a far greater change in our mode of living than the so-called industrial revolution has wrought in the past century or so. Most of us cannot even imagine the wonderful new devices and appliances that will become commonplace necessities of our daily life in the next few decades.

It is conceivable that our automobiles in the not-too-distant future may be powered by a simple atomic battery, and will require no other fuel. It is possible that a similar source of power may someday be built into each home and apartment house, so that it will no longer be necessary to install and maintain elaborate distribution systems to carry electricity from a central generating plant into the dwelling of each individual consumer. It is certain, beyond any shadow of doubt, that new and complex automatic machines will replace, in ever-growing numbers, the muscles of men on our industrial production lines. And all of this—experience has shown—will mean more jobs, more purchasing power, more leisure, and a more comfortable life for our people.

But all of this is also going to require a radical change in the deployment of capital and manpower throughout our economy. This change, of course, will be gradual and constant. We shall have ample opportunity to adjust ourselves and our enterprises to it; but nevertheless it is bound to cause temporary dislocations in many lines of business and among many of our occupational groups. Men who have developed a high degree of skill in one field may be compelled, in this process, to master an entirely new vocation There will be a continual shift of workers—and of investors too—from old-line, obsolescent fields of enterprise into new and now-undreamed-of branches of endeavor.

And in this unending migration of capital and labor from one segment of our economy to another lies an inherent danger that could easily upset all our optimistic prospects for the future. Let me put it to you this way:

To cope with this scientific revolution I have mentioned, we are going to have to raise enormous sums of new capital—sums more vast, perhaps, than we have ever recruited at any time in our previous history. Simply to provide the new jobs that our growing population will need 20 years from now, will require an investment of at least $300 billion in new plants, new facilities and new lines of production that do not exist today at all. No government—not even ours—could provide this huge store of capital, either through taxation or inflation, without gravely endangering our economy and seriously impoverishing our people. The only source from which this money can be drawn safely is from the savings of private investors; and this precious wellspring of all our future prosperity can only be preserved successfully by maintaining in Washington a government that is dedicated to free competitive enterprise and a proper incentive to save and to invest.

The one great threat to the preservation of that kind of government—as I see it—is unemployment; and in support of that belief, I would merely cite the election which occurred two weeks ago. Now we know that from the end of World War II, right up through the boom year of 1953, the average number of unemployed workers in this country has been about 2¼ million. Today, the total number of jobless people is only a few hundred thousand above that figure — yet on the strength of this very slight rise in employment, we have heard a great political clamor for more deficit spending, more inflation, and more and more intervention by government into the individual lives and enterprises of our citizens.

So if it should happen that there is any sudden and widespread increase in unemployment as a result of the dislocations which must unavoidably occur in the course of this scientific revolution that we face, it is entirely likely that control of our national government could shift back and forth between the forces which seek to uphold our enterprise system and those which favor a collectivist society. We would thus find ourselves in a constant state of transition from inflation to deflation, from control to decontrol, and from repeated frenzies of false prosperity to the inevitable agonies of the economic "morning after."

Therefore, it seems to me that if we are ever to enjoy, in full measure, the great promise that our future seems to hold for America, we must recognize, and meet squarely, the grave responsibilities that confront us.

Surely, we must do everything in our power, I think, to anticipate these dislocations and to minimize—as best we can—the consequences of them. We must consider these changes, not only as they relate to our own particular business, but with full regard for their effect upon our customers, our suppliers, our workers, our neighboring enterprises, and upon our communities generally. And above all, I believe, we must strive in every proper way to promote, in every branch of government, a better understanding of the problems we shall encounter and of the efforts we are making to solve them. So this must—by its very nature—be a cooperative undertaking.

And right here, it seems to me, is the field in which the Alabama State Chamber of Commerce, the Birmingham Rotary Club, and similar organizations in all parts of the country, will find their greatest opportunity for service in the years ahead. I know of no other agencies which are so well equipped to act—in each community—as a kind of Congress of American Business — a place wherein all of us, working together, can study, and discuss, and plan a concerted attack upon the economic difficulties that are bound to occur in the next few decades. Nor is there, I think, any other medium through which we shall be able to speak out—not as individuals and for ourselves alone — but collectively, in the name—and in the voice—of American Business as a whole.

So in my opinion, the economic future of this country is going to depend in a very real sense upon the work of your organization and of others like it, everywhere. The task before you, as I see it, is undoubtedly the most important that you have ever undertaken in your long and highly successful history. And as you go forward to meet that task, let me simply say, with all my heart, "More power to you!"

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The Road Ahead in Business

ments. Because of this threat, many drug companies will be forced to increase their research expenditures, a topic which I shall discuss more in detail later.

The outlook for the drug business is largely determined by disposable personal income. We found that the correlation between these two factors over a period of the last decade and a half was more than 90%. This is a remarkable degree of relationship and indicates that on the average over the years the drug sales and consumer income available for spending moved up and down in the same direction and showed about the same percentage change. Since prospects now appear to be that disposable income next year may be somewhat higher than in 1954, it is reasonable to expect that drug sales in 1955 may be anywhere from 2% to 5% above this year.

Long-Range Outlook for the Pharmaceutical Industry

The drug industry has a bright future because of the propelling forces at work. Perhaps the most important of these is the growth of population since the potential customers of the drug business include all the American people, young and old, rich and poor. Since the end of the war, the annual increase in population of this country has averaged around 2.6 million. This is equal to the total population of Maine, New Hampshire, Vermont, and Rhode Island. In the last decade the number of persons in this country increased by over 19 million, or more than twice the gain in the 1930's. From 1950 to 1960, it is estimated that the population will increase by 28 million. Here then is a new market for the drug business equal to twice the population of Canada.

The most striking gain in the last decade was in the group under five years of age which increased by 5.6 million, in contrast with an actual decrease of 900,000 for this group between 1930 and 1940. This 5 million group will be an important factor in the growth of your market for years to come. In the early 1960's, these children will become of marriageable age, and family formation is expected to show a considerable rise. Not only has there been a substantial increase in population growth at the lower end of the age scale, but also at the upper end. This provides a special and growing market for the drug industry. In 1950 there were about 12.5 million persons 65 years of age and over. By 1960 it is estimated that this number will reach around 16 million. This is nearly equivalent to the combined population of Sweden, Norway, Denmark, and New Zealand.

Broader Distribution of Income

The marketing policies of drug firms as well as most other lines need to be adjusted to a revolutionary redistribution of income. The upper income groups' proportion of national income has undergone a sharp decline. In 1929, the highest 5% of income recipients had 34% of total disposable income after taxes. By 1939 their share had declined to 27%, and is now around 18%, according to a study by the National Bureau of Economic Research. Under a system of complete equality, the upper 5% would obviously receive 5% of the total income. In 1929 this group was 29 points from the equalitarian level, while now the spread is only 13 points. In other words, in two decades we have gone more than half way toward income equality. This striking redistribution of income is largely accounted for by the rise in wage payments, relative to other forms of income, and to the progressive income tax. Those in the income group under $5,000 receive about two-thirds of the net income after taxes and account for about the same proportion of consumer spending. Consequently, in this group is to be found the principal market for your products.

Growth in Health Insurance and Hospitalization Plans

In the last decade and a half, great progress has been made in making the public health-conscious. This has been done through the schools, television visual education programs, effective advertising by the drug and insurance companies, as well as the ever-improving cooperation between the ethical drug companies and the medical profession. Increased public interest is reflected by the sharp enrollment gain in Blue Cross from less than 3 million in 1939 to around 45 million today. This represents a 15-fold increase in a comparatively short period of time. Should progress continue at this rate, it will not be long before nearly all families will have been brought under this protective coverage. Such a development should put an end to the agitation in some quarters for socialized medicine, which involves the danger of government operation of production facilities, the elimination of private brands, the threat of narrower profit margins, and severe restrictions to research developments.

Research—the Lifeblood of the Phramaceutical Industry

The rapid development of the drug industry is sparked by the research laboratories. From your laboratories have come in a short period of time the "miracle drugs" that have become such a blessing to mankind. It is estimated that around 90% of the prescriptions written today are for drugs that were unknown a decade and a half ago. The attainment and maintenance of a firm's position in the industry depends in large measure upon its research program, which must be effective and pay its way. From the hundreds of products turned out by the laboratories there must be selected those that justify risking the money necessary for production and marketing of new and useful products that will provide increased sales and profits. Research must be backed by sound management that will insist upon efficient production and distribution activities. It is no longer a question whether an ethical drug manufacturer should engage in research—not to do so is to gamble with survival.

That the drug industry recognizes the importance of scientific development is indicated by the fact that it tops the list for research expenditures as a percentage of net sales, according to a study made by the Division of Research, Harvard Business School. Based upon this study, the median figure for nine leading drug companies in 1952 was estimated at 4.9% of sales as compared with 1.3% for the other 22 reporting industries. In regard to considerations for establishing a maximum budget for research, the authors of the Harvard study said: "Some managements are inherently more skilled at putting new ventures into practice than are others. This is a very intangible measure of management quality. It simply reflects the fact that some managements appear to have more of a 'green thumb' than their competitors when it comes to commercializing new developments."

Conclusion

To summarize—indications are that there will be a creeping business recovery next year with the total national product ranging between 1953 and 1954. Competition will be the keenest in the postwar period, with marginal producers hard pressed. From a long-range point of view, business is in a transitional period, largely dependent upon replacement demand, but in the early 1960's there may be another resurgence of demand as a consequence of a substantial increase in family formation because of the high birth rates in the postwar period, the accumulated benefits of the research developments of the war and postwar period, and the huge highway development program.

The ethical drug business will enjoy a moderately better business in 1955 than in the current year, and prospects are that the unsettling forces of the last few years will become more stabilized. The long-range outlook for your industry is promising because of growing and widening markets due to rapid increase in population, growing public recognition and acceptance of miracle drugs, the rapid strides being made by health programs, and the great contributions by your research laboratories. It has been said that it is possible to predict with a fair degree of accuracy the future progress of an ethical drug company by the effectiveness of its research programs. In other words, you are in a vital and dynamic industry involving keen competition that calls for know-how, imagination, alertness, and capacity to make the necessary adjustments in this age of rapid changes.

In critical periods, such as the present, it is well to be reminded that there is always work to be done as long as human wants are unsatisfied. We are fortunate to be inheritors of generations of invention and science—instrumentalities that can open new trails to the future, provide profitable enterprise, and higher living standards. As Charles F. Kettering has said: "True leaders will cast out fear of the future and, by sponsoring the development of new things and improving the old, make the future better in every way than the troubled past. We need research in every phase of our business to strike the sparks which will rekindle the fires of activity."

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Petrochemical Growth: Will It Affect Oil and Gas Production?

production of 200 tons a day of ammonia. A butadiene plant for synthetic rubber could use around 115,000 gallons a day of normal butane for an annual output of 50,000 tons of butadiene.

Now, suppose you are a producer of natural gas and you wish to consider participating in the petrochemical field. What are some of the factors in determining whether you could attract a petrochemical plant to your location?

Factors in Plant Location

First and foremost, you must have an *assured long-range source of supply.* Chemical plants, as you probably know, are expensive to build. Investments of $10 to $20 million are not uncommon. Quite obviously, no chemical producer is interested in investing money of this magnitude in a plant that may be shut down by running out of raw materials.

Second is the *value of the gas.* As mentioned earlier, the chemical industry is highly competitive at all levels and low-cost raw material supplies are essential. Stability of both supply and price have been important factors in the increasing consumption of petroleum as a raw material for chemicals.

The third item is *strategic location.* As in the petroleum industry, freight costs are important, particularly on low unit-value items. Consideration of each chemical project involves detailed calculations on the relative economics of transporting raw materials vs. transporting finished products. There is no single generalized answer. An interesting recent compromise is the selection of sites along large gas-transmission lines. One case in point is the National Petrochemicals Corporation's plant at Tuscola, Illinois. It is located on the Panhandle Eastern Pipeline and is owned 40% by Panhandle Eastern and the balance by National Distillers. This, incidentally, is a good example of how diversified the chemical business can be. Even the whiskey manufacturers are getting into it. Another plant is at Greensburg, Kentucky. It is jointly owned by Tennessee Gas Transmission Company and Methieson Chemical, and is on the gas company's line.

If you are able to make the first three hurdles of long-range supply, low value, and strategic location, then you come to other local considerations. These would be common to any refining operation and would include such items as adequate labor supply, availability of reasonably priced utilities, and low land costs. If you can match these requirements, then you are in position to do business with the chemical industry.

Your problem then becomes one of finding an organization which has, or thinks it has, sufficient market for a large-scale low-production-cost chemical plant. It must also have a fat pocketbook, a desire to gamble, and the know-how to carry the project to successful plant completion and operation. The advantage to you would be acquiring a steady customer for a good many years to come.

Two additional questions remain to be answered. I have talked in generalities about the growing petrochemical industry, but just how big is this industry likely to become, and what will it mean in terms of its consumption of crude oil and natural gas?

Considering the question of growth first: This year, the manufacture of petrochemicals will amount to about 30 billion pounds with a value of about $3½ billion. For comparison, the total annual field value of crude oil and natural gas produced in the United States is about $7½ billion. You are undoubtedly familiar with the report published by the President's Materials Policy Commission. According to their estimate, by 1975 the manufacturing volume of petrochemicals will be around *54 billion* pounds. That is better than 150% expansion.

Now — what about the second question: What will this growth mean in terms of oil and gas consumption? The answer — from *your* point of view this time—is, not very much. To be perfectly frank, the volume of consumption by petrochemical manufacturers, in relation to total national petroleum production, is insignificant. Right now, less than 1% of the crude oil and gas produced in this country is winding up in petrochemicals.

Future Outlook

The outlook for the future, as you might suspect, is better but still relatively modest. Using the figures of the President's Commission again, their guess is that by 1975 the chemical people will be consuming about *2%* of total oil and gas production.

Table 3 shows the whole picture, projected at five-year intervals.

As you can see, it gives promise of substantial growth—but I suspect that these figures will not excite many of you producers.

To sum up, let me repeat what I said earlier: The growth of the petrochemical industry will not come anywhere near revolutionizing the market outlook for oil and gas production. *Some* individual producers—those who are able to meet the special requirements of petrochemical manufacturers—no doubt will find it advantageous to be suppliers of raw materials for this growing, new industry. But the *tail* will *not* wag the dog.

That's the story. If it does not come exactly as a surprise to you, I hope that it at least has served to confirm your own convictions, and to help put what you have read and heard about the petrochemicals into its proper perspective.

TABLE 3

Oil and Gas Consumption by Petrochemical Industry

(Estimates by President's Materials Policy Commission)

	Natural Gas (MMcf Per Day)	Oil (Bbls. Per Day)	Percent of Total Natural Gas and Oil
1950	180	36,500	0.68
1955	390	80,000	1.1
1960	530	116,000	1.4
1965	650	152,000	1.6
1970	760	186,000	1.8
1975	870	225,000	2.0

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New 1954 Petrochemical Survey, Petroleum Processing, September (1954).

Chemicals Economics Handbook, Stanford Research Institute.

Forecasts for Petroleum Chemicals, Chap. 14, The Promise of Technology, Report of President's Materials Policy Commission.

Keeler With Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert B. Keeler has become associated with Westheimer and Company 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges. Mr. Keeler who has been in the investment business in Cincinnati for many years, has recently been with Hill & Co.

With Geo. Eustis & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert C. Koors has become connected with Geo. Eustis & Co., Traction Building, members of the Cincinnati Stock Exchange. He was with Browning & Company in the past.

W. D. Gradison Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Henry M. Falke has been added to the staff of W. D. Gradison & Co., Dixie Terminal Building, members of the New York and Cincinnati Stock Exchanges.

Carroll, Kirchner Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—James O. Garrett and Neil R. Sweeney, Jr. are now associated with Carroll, Kirchner & Jacquith, Inc., Patterson Building.

Joins FIF Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Earl L. Karmer has joined the staff of FIF Management Corporation, 444 Sherman St.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 21	§78.9	*78.6	74.2	90.%
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 21	§1,882,000	*1,874,000	1,769,000	2,044,00
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 5	6,191,350	6,152,750	6,152,450	6,130,00
Crude runs to stills—daily average (bbls.)	Nov. 5	‡6,941,000	6,897,000	6,711,000	6,962,00
Gasoline output (bbls.)	Nov. 5	23,069,000	23,928,000	23,131,000	22,964,00
Kerosene output (bbls.)	Nov. 5	2,395,000	2,335,000	2,005,000	2,174,00
Distillate fuel oil output (bbls.)	Nov. 5	10,330,000	10,689,000	10,752,000	9,982,00
Residual fuel oil output (bbls.)	Nov. 5	7,83,000	*7,305,000	7,016,000	8,252,00
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 5	149,138,000	149,789,000	151,550,000	141,635,00
Kerosene (bbls.) at	Nov. 5	38,178,000	38,228,000	38,480,000	37,072,00
Distillate fuel oil (bbls.) at	Nov. 5	137,1_8,000	137,055,000	131,198,000	135,678,00
Residual fuel oil (bbls.) at	Nov. 5	56,469,000	56,392,000	56,054,000	51,336,00
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 6	695,097	736,233	703,193	747,86
Revenue freight received from connections (no. of cars)	Nov. 6	611,756	627,680	604,658	636,76
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 11	$371,482,000	$287,149,000	$259,381,000	$251,725,00
Private construction	Nov. 11	161,329,000	165,775,000	141,832,000	121,145,00
Public construction	Nov. 11	210,153,000	121,374,000	117,54_,000	130,580,00
State and municipal	Nov. 11	152,232,000	101,345,000	87,620,000	107,001,00
Federal	Nov. 11	57,921,000	20,02_,000	29,920,000	23,579,00
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 6	8,425,000	*9,050,000	8,285,000	8,845,000
Pennsylvania anthracite (tons)	Nov. 6	521,000	473,000	523,000	533,00
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 6	126	117	118	121
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 13	9,197,000	9,357,000	9,117,000	8,457,00
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 11	227	204	152	155
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 9	4.798c	4.798c	4.798c	4.634c
Pig iron (per gross ton)	Nov. 9	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Nov. 9	$34.00	$34.00	$33.00	$35.3_
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 10	29.700c	29.700c	29.700c	29.675c
Export refinery at	Nov. 10	30.800c	30.875c	31.375c	29.025c
Straits tin (New York) at	Nov. 10	89.875c	92.125c	93.625c	81.750
Lead (New York) at	Nov. 10	15.000c	15.000c	15.000c	13.500
Lead (St. Louis) at	Nov. 10	14.800c	14.800c	14.800c	13.300
Zinc (East St. Louis) at	Nov. 10	11.500c	11.500c	11.500c	10.000
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 16	99.25	99.38	99.88	94.8
Average corporate	Nov. 16	110.70	110.70	110.70	106.0
Aaa	Nov. 16	115.24	115.24	115.43	110.8
Aa	Nov. 16	112.37	112.37	112.37	108.1
A	Nov. 16	110.52	110.52	110.52	105.8
Baa	Nov. 16	105.00	105.00	104.83	100.0
Railroad Group	Nov. 16	108.88	108.88	109.06	103.9
Public Utilities Group	Nov. 16	111.07	111.07	111.07	106.3
Industrials Group	Nov. 16	112.19	112.00	112.00	107.9
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 16	2.55	2.55	2.51	2.8
Average corporate	Nov. 16	3.13	3.13	3.13	3.3
Aaa	Nov. 16	2.89	2.89	2.88	3.1
Aa	Nov. 16	3.04	3.04	3.04	3.2
A	Nov. 16	3.14	3.14	3.14	3.4
Baa	Nov. 16	3.45	3.45	3.46	3.7
Railroad Group	Nov. 16	3.23	3.23	3.22	3.5
Public Utilities Group	Nov. 16	3.11	3.11	3.11	3.3
Industrials Group	Nov. 16	3.05	3.06	3.06	3.2
MOODY'S COMMODITY INDEX	Nov. 16	411.6	411.5	402.3	396.
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 6	317,710	256,771	261,389	355,84
Production (tons)	Nov. 6	259,692	260,468	247,919	266,32
Percentage of activity	Nov. 6	95	96	93	9
Unfilled orders (tons) at end of period	Nov. 6	447,385	390,545	442,581	510,99
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Nov. 12	106.17	106.22	106.24	106.0
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Oct. 30	950,206	970,777	942,032	699,99
Dollar value	Oct. 30	$44,380,898	$49,877,550	$46,602,053	$33,439,24
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Oct. 30	964,419	953,010	973,696	654,99
Customers' short sales	Oct. 30	6,934	7,521	8,215	9,14
Customers' other sales	Oct. 30	957,485	945,489	965,481	645,84
Dollar value	Oct. 30	$41,946,630	$42,929,083	$45,371,349	$24,948,10
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 30	353,790	278,280	307,030	226,68
Short sales	Oct. 30	-----	-----	-----	-----
Other sales	Oct. 30	353,790	278,280	307,030	226,68
Round-lot purchases by dealers—					
Number of shares	Oct. 30	286,220	317,390	262,280	264,05
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Oct. 23	434,770	395,310	385,700	343,74
Other sales	Oct. 23	10,370,020	10,626,860	10,855,170	6,407,51
Total sales	Oct. 23	10,804,790	11,022,170	11,240,870	6,751,25
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 23	1,165,420	1,190,650	1,279,220	704,92
Short sales	Oct. 23	232,110	199,470	211,800	148,51
Other sales	Oct. 23	1,000,860	983,940	1,003,570	567,91
Total sales	Oct. 23	1,232,970	1,183,410	1,215,370	716,42
Other transactions initiated on the floor—					
Total purchases	Oct. 23	343,680	338,620	344,600	258,78
Short sales	Oct. 23	20,200	29,700	22,400	31,60
Other sales	Oct. 23	310,330	362,880	342,550	251,55
Total sales	Oct. 23	330,530	392,580	364,950	283,15
Other transactions initiated off the floor—					
Total purchases	Oct. 23	472,130	439,610	407,420	263,10
Short sales	Oct. 23	67,050	73,600	46,690	43,90
Other sales	Oct. 23	417,937	511,812	428,060	276,15
Total sales	Oct. 23	484,987	585,412	474,750	320,05
Total round-lot transactions for account of members—					
Total purchases	Oct. 23	1,981,230	1,968,880	2,031,240	1,226,80
Short sales	Oct. 23	319,360	302,770	280,890	224,01
Other sales	Oct. 23	1,729,127	1,858,632	1,774,180	1,095,61
Total sales	Oct. 23	2,048,487	2,161,402	2,055,070	1,319,62
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 9	109.7	109.7	109.7	109.
Farm products	Nov. 9	92.2	*93.4	92.8	93.
Processed foods	Nov. 9	104.5	*103.7	103.4	104.
Meats	Nov. 9	87.7	*85.5	85.4	85.
All commodities other than farm and foods	Nov. 9	114.5	*114.5	114.6	114.

*Revised figure. ‡Includes 574,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.

†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of September	120,332	125,296	109,333
Stocks of aluminum (short tons) end of Sept.	48,872	70,249	26,991
AMERICAN GAS ASSOCIATION—For month of September:			
Total gas (M therms)	3,886,232	3,863,757	3,686,300
Natural gas sales (M therms)	3,704,996	3,694,006	3,503,100
Manufactured gas sales (M therms)	30,026	28,960	49,000
Mixed gas sales (M therms)	151,210	140,791	128,200
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of October	7,702,000	*6,807,483	9,462,722
Shipments of steel products (net tons)—Month of September	5,004,222	4,681,242	6,400,757
AMERICAN PETROLEUM INSTITUTE—Month of August:			
Total domestic production (barrels of 42 gallons each)	211,150,000	213,983,000	224,716,000
Domestic crude oil output (barrels)	191,190,000	*194,037,000	204,059,000
Natural gasoline output (barrels)	19,914,000	19,901,000	20,602,000
Benzol output (barrels)	46,000	45,000	55,000
Crude oil imports (barrels)	20,589,000	22,448,000	20,847,000
Refined products imports (barrels)	9,364,000	9,730,000	8,480,000
Indicated consumption domestic and export (barrels)	233,395,000	232,029,000	229,334,000
Increase all stock (barrels)	7,708,000	*14,132,000	24,709,000
AMERICAN ZINC INSTITUTE, INC.—Month of October:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	67,047	*60,137	84,031
Shipments (tons of 2,000 pounds)	90,415	*77,885	67,175
Stocks at end of period (tons)	152,137	*175,505	158,417
Unfilled orders at end of period (tons)	51,553	48,818	25,950
COAL OUTPUT (BUREAU OF MINES)—Month of October:			
Bituminous coal and lignite (net tons)	36,110,000	33,935,000	40,583,000
Pennsylvania anthracite (net tons)	2,194,000	*2,253,000	2,994,000
COKE (BUREAU OF MINES)—Month of Sept.:			
Production (net tons)	4,497,034	*4,510,603	6,432,900
Oven coke (net tons)	4,466,152	*4,478,093	6,061,100
Beehive coke (net tons)	30,882	*32,510	37,800
Oven coke stock at end of month (net tons)	2,894,303	*2,855,874	2,474,543
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average 100)—Month of October:			
Adjusted for seasonal variations	112	108	110
Without seasonal adjustment	117	113	115
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of August (000's omitted)	35,044,712	33,845,074	33,000,729
Revenue from ultimate customers—month of August	$616,706,000	$603,767,000	$573,651,000
Number of ultimate customers at Aug. 31	50,775,066	50,656,926	49,371,828
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of October:			
Gas water heater shipments (units)	210,800	205,500	194,300
METAL OUTPUT (BUREAN OF MINES)—Month of September:			
Mine production of recoverable metals in the United States and Alaska:			
Gold (in fine ounces)	173,556	*161,707	195,929
Silver (in fine ounces)	2,825,832	*2,958,875	3,065,320
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of October:			
Copper (per pound)—			
Electrolytic domestic refinery	29.700c	29.700c	29.598c
Electrolytic export refinery	31.529c	30.066c	28,522c
Lead—			
Common, New York (per pound)	14.965c	14.598c	13.500c
Common, St. Louis (per pound)	14.760c	14.400c	13.300c
‡‡Prompt, London (per long ton)	£108.690	£101.347	£92.534
‡‡Three months, London (per long ton)	£103.363	£99.239	£88.852
¶Antimony, New York Boxed	31.970c	31.970c	37.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	34.500c
Antimony (per pound) Laredo	29.000c	29.000c	35.000c
Platinum, refined (per ounce)	$79.800	$84.000	$92.000
Zinc (per pound)—East St. Louis	11.500c	11.408c	10.000c
††Zinc, London, prompt (per long ton)	£82.524	£80,614	£73.778
††Zinc, London, three months (per long ton)	£82.321	£80.454	£70.932
†Cadmium, refined (per pound)	$1.70000	$1.70000	$2.00000
‡Cadmium (per pound)	$1.70000	$1.70000	$2.07500
§Cadmium (per pound)	$1.70000	$1.70000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.40000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	85.250c
Silver, London (pence per ounce)	74.107	73.239	74.000
Sterling Exchange (Check)	$2.79747	$2.80080	$2.80607
Tin, New York Straits	93.055c	93.535c	80.904c
§§New York, 99% min.	92.055c	92.535c	79.904c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$325.000	$311.000	$183.423
Aluminum, 99% plus ingot (per pound)	22.200c	22.200c	21.500c
Magnesium ingot (per pound)	27.000c	27.000c	27.000c
**Nickel	60.000c	60.000c	60.000c
Bismuth (per pound)	$2.25	$2.25	-----
PORTLAND CEMENT (BUREAU OF MINES)—Month of August:			
Production (barrels)	25,681,000	25,467,000	24,289,000
Shipments from mills (barrels)	28,802,000	27,628,000	22,092,000
Stocks (at end of month—barrels)	14,329,000	*17,451,000	16,445,000
Capacity used	103	102	101
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Oct. 31	$278,785,667	$274,838,405	$273,452,160
General fund balance	6,662,775	5,144,722	5,126,181
Net debt	$272,122,892	$269,693,683	$268,325,979
Computed annual rate	2,298%	2,302%	2,435%
ZINC OXIDE (BUREAU OF MINES)—Month of September:			
Production (short tons)	12,045	12,600	16,479
Shipments (short tons)	12,454	11,373	16,371
Stocks at end of month (short tons)	14,454	14,863	24,495

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colborne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c. ¶¶Corrected figure.

Continued from page 15

How Bright Is the Economic Future?

view which is natural to those whose bent is for rigid planning.

Popular psychology is now recognized as an important influence upon business conditions in any democratic society. In truth, widespread business confidence is essential to prosperity in a country where the people are relatively free to make their attitudes felt in the market place. In a recent issue (August 21) of "The Economist" of London is the statement: "By rights, the United States ought now to be in deep depression; the fact that it is not can be explained only by the persistent refusal of the American people to accept the diagnosis."

The "Prophets of Doom"

This is a keen observation, because a year ago there were numerous prophets of doom who could see nothing ahead but collapse for our economy. Outspoken among them were many who could be shown to have a vested interest in such an outcome — either vested from a political standpoint or vested from a theoretical standpoint, as in the case of those who believe in a rigidly planned economy. Because of this vested interest, they prophesied bad times, either out of wishful thinking or out of sincere belief that conditions could not remain good except under their scheme of things. In other words, they "viewed with alarm" —as has been so often true in our political history.

It is possible that the American people have learned by long experience to discount (by considering the source) what such vested interests say. On the other hand, one must not overlook the fact that it is not only "the outs" who are vested in their beliefs. "The ins" are, too. They have a practical interest in seeing that the country does not experience the dire predictions of their opponents. Remaining in office depends upon reasonable prosperity.

The Administration has been alert to economic conditions while at the same time recognizing the fact that readjustments were inevitable in the transition from Korea back to "cold war." But more than this, President Eisenhower has repeatedly asserted that the Administration's goal is further economic progress because the nation's welfare and security depend upon growth. Recession and stagnation would be bound to lose the cause for which we fought.

There are signs that America is learning to live with her enormous economic strength — not perfectly, but to an encouraging and hopeful extent. But it is too much to say that we have found all the answers yet. The fact that we have had no greater trouble in the transition period after Korea is partly attributable to a continuation of the tense world situation. We have not been able to reduce our defense outlays very much because the old world is not peace-minded—and America cannot risk another Pearl Harbor. Outlays for national security are likely to remain somewhere between $40 billion and $50 billion annually until international tension eases.

As we look into the future, where none of us ever can see with certainty, we may look first to the immediate and then to the more distant future.

Balance of Year Prospects

What are the prospects for the rest of 1954? The expectation among business analysts is that overall production will rise moderately — 4-5% — in the final quarter of 1954. The rate of production by December should be higher than in the closing months of 1953. Some of the reasons for this expected improvement are:

(1) **The record level of construction activity:** The total value of all types of construction, both public and private, in September was $3.16 billion—a new all-time monthly record and 8% higher than in the same month of 1953. For the first 8 months of this year, construction totaled $27.5 billion, 6% more than the record-breaking $26 billion in the same months of last year.

(2) **Industrial activity**, after seasonal adjustment, has remained almost unchanged since spring. Using the most reliable index (the Federal Reserve index of production) to measure industrial activity, we find that the index averaged 124 in August and September this year compared with 136 for the same months last year and 120 in 1952. There has been a drop of only one point since January and actually a gain of a point since April.

No one can say for sure which way the index will go from here, but the fact that it has stopped declining and has actually shown upward tendencies is encouraging.

(3) **The high level of consumer disposable income:** Despite more unemployed than a year ago and lower farm income, the Department of Commerce reports that consumer disposable income (i.e. income after taxes but before consumption expenditures) is higher than last year's record. The figure for the third quarter—latest available—was at an annual rate of $252.5 billion vs. $251.2 billion in the same quarter of 1953.

Higher wages of those employed were alone almost sufficient to offset the loss in income of workers out of jobs. The reduction in personal income taxes of about $1 billion in the June quarter more than offset the decline in personal income before taxes. Thus people have more money to spend on goods than last year—one of the numerous unusual aspects of 1953-54 recession.

The average weekly number of hours per worker and the total number of employed increased moderately in August, September, and October over July. Unemployment has dropped steadily since March. These trends plus further wage boosts in a number of large corporations indicate that personal disposable income will show further gains.

(4) **Rising level of retail sales:** While consumers have had more purchasing power this year than last, they have not been spending quite so much of their income. However, a gradual improvement in retail sales in 1954 compared with 1953 has been evident since May. August was the first month in 1954 that equalled the corresponding month of 1953 in retail sales. September got off to the best start of the year with sales substantially higher than last year: and October likewise showed an increase.

(5) **The reduction in inventories:** Through the third quarter of last year, production was running well above the level of retail trade. It was not until October 1953, that business inventories stopped rising. In almost every month since then stocks of goods have declined and are now well under the year-ago level. In the third quarter of this year the liquidation of stocks on hand was subtracting about $4 billion (at an annual rate) from the gross national product, as compared with an annual rate of inventory addition of $5.8 billion in the June quarter of 1953.

Consequently, the current improvement in sales should bring the year-long period of inventory reduction and its resultant unfavorable effect on the economy to an end.

(6) **Defense expenditures are expected to increase:** The sharp decline in military purchases subtracted nearly $8 billion, at an annual rate, from the gross national product in the second quarter of 1954 vs. the same period of 1953. The decline in government purchases, together with inventory liquidation, accounted for the 1953-54 reduction of $13.9 billion in the gross national product. For the remainder of the year government purchases are expected to add to gross national product instead of subtracting from it.

These, then, are among the reasons that lead to the conclusion that 1954 very likely will be the second best economic year in American history—and surely that will not be bad.

Future Outlook Bright

Looking toward the more distant future one can see forceful, optimistic factors.

(1) **Population continues to grow**—this year at a rate greater than last. It is true that somewhere in the immediate years, reflecting the low birth-rate of the depressed thirties' there will be a decline in the rate of family formation; but, on the other hand, by the 1960's we shall encounter a period reflecting the high birth rates of the 1940's.

We now have almost 163,000,000 people in the United States—people accustomed to more things and better living than people anywhere else in the world. There are over 40,000,000 more of us now than there were in that prosperous pre-depression year 1929. Assuming an average of about 4 to a family, we have at least 10,-000,000 more families. By 1965 our population will be approximately 190,000,000.

All these and a continued growth mean capacity to utilize in a rising standard of living a vast quantity of goods and services.

(2) **Until world tension eases and an era of good will among nations returns**, there seems little prospect that America (in her envied position of wealth) can afford to let up very much in her defense program. It now appears likely that not less than $40,000,-000,000 will be spent for defense annually for some years to come—a demand that will continue to draw heavily upon our productive capacity.

(3) **Fortunately America's capacity to produce** is the greatest in her history. We are the most advanced nation on earth in technology. No other can equal us in modern plant and capital equipment. And nowhere else can you find a more efficient labor force or more progressive managerial know-how than in this country. Our natural resources remain abundant and rich.

(4) **Our financial system** has withstood the severe strain of the world's worst war — and despite the fact that the dollar has lost about half of its buying power since 1929, Uncle Sam's money is the best in the world. Not only can it be safely declared, but the declaration can be proved, that we have a banking and credit structure far stronger and sounder now than in the 1920's. Commercial banks, savings banks, mortgage companies, savings and loan associations, and insurance companies are able to supply ample funds needed to support expansion. There are no signs of credit stringency anywhere. And our commodity and securities exchanges operate under far safer and less disturbing conditions than in the old days.

(5) **Most encouraging of all**—and the most optimistic—is the fact that our people have saved in these prosperous years to the point that they hold in excess of $200 billion in cash and near cash assets—providing a huge back-log of purchasing power under-girding the consumer market. It is estimated that 20 billion dollars or about 8% of disposable income will be saved this year. Likewise, Americans own more insurance against the hazards of life today than ever before — a condition which lends added stability to the economy. Some of this has been government-sponsored, but a vast amount of it is private. Not only is the consumer in a relatively strong position himself, but his role in our economic system has attained greater recognition than ever before. There has been an increasing realization (certainly reflected in national policy) that the consumption function is basic in the decisions of businessmen who largely determine the investment function. Whereas in the old days, the philosophy was "sales mean jobs," today it is equally recognized that "jobs mean sales."

(6) **Once we make the rough transition** from a war-economy back to a healthy peace-economy there is sound cause to believe that we will embark upon an era of great peacetime economic progress, not requiring inflationary stimulus from government. Much of our hope lies in all the vast new horizons of better living offered by scientific and engineering discoveries of the past two decades — horizons which challenge the imagination of even the most unimaginative person among us.

Only those whose minds have been "poisoned" by memories of the past or by what they have read of the past hold to the dismal belief that America cannot be prosperous except when at war—or when government is spending widly and running huge deficits. Such people might do well to observe that circumstances are different from those of 1929. And not the least of these differences is that the American people and their leaders (industrial, labor, political, and even educational and religious) do not think the way their counterparts did in 1929.

As long as America remains a nation of free people there will be fluctuations in business — we would not want it otherwise. But no one with good sense any longer believes that such violent economic troubles as we had in the 1930's are inevitable. In fact, we believe that in all the greatness of this country such a plague cannot and will not strike again.

History will not repeat itself.

John H. Coffin Joins Minot, Kendall & Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—John H. Coffin has become associated with Minot, Kendall & Co., Inc., 15 Congress Street, members of the Boston Stock Exchange. Mr. Coffin has recently been affiliated with Coffin & Burr, Incorporated and prior thereto was Boston manager for Paul & Co. Inc.

Join Brown Bros. Harriman

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard D. Kirkpatrick and Francis D. Ouimet are now with Brown Bros. Harriman & Co., 10 Post Office Square. Mr. Ouimet for many years was with White, Weld & Co.

Burdette Barnes Opens

(Special to The Financial Chronicle)

BOULDER, Colo.—Burdette I. Barnes is engaging in a securities business from offices at 1249 Pearl Street.

George T. Egee Opens

(Special to The Financial Chronicle)

NEW ORLEANS, La.—George T. Egee has opened offices in the Carondelet Building to engage in the securities business.

S. E. Firms Elect Sullivan President

John J. Sullivan, senior partner of Bosworth, Sullivan & Co., Denver, and President of the corporation bearing the same name, was elected President of the Association of Stock Exchange Firms for the 1954-55 fiscal year by the Board of Governors at its annual meeting. Mr. Sullivan was elected to the Board in 1951 and has served as Vice-President during the past year. His entire business career has been spent in the securities industry. He was Chairman of the National Association of Securities Dealers in 1950 and of the Rocky Mountain Group of the Investment Bankers Association in 1935-36. He succeeds Horace W. Frost, a resident Boston partner of Tucker, Anthony & Co., who has been President since November 1953.

John J. Sullivan

Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York, and Edward Starr, Jr., Drexel & Co., Philadelphia, were elected Vice-Presidents and Douglas G. Bonner, Bonner & Gregory, New York, Treasurer.

New Governors elected for terms of three years to the Board of 35 are:

Herbert S. Hall, Morgan Stanley & Co., New York; Charles L. Morse, Jr., Hemphill, Noyes & Co., New York; Edward Rotan, Rotan, Mosle & Co., Houston; Hal H. Smith, Jr., Smith, Hague, Noble & Co., Detroit; James G. Tremaine, Gude, Winmill & Co., New York.

Re-elected were: Marco F. Hellman, J. Barth & Co., San Francisco; E. Jansen Hunt, White, Weld & Co., New York; Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York; William M. Meehan, M. J. Meehan & Co., New York; Herbert O. Peet, H. O. Peet & Company, Kansas City; Edward Starr, Jr., Drexel & Co., Philadelphia.

Elected as the Nominating Committee for 1955 were: Eugene M. Geddes, Clark, Dodge & Co., New York; George R. Kantzler, E. F. Hutton & Co., New York; James Parker Nolan, Folger, Nolan-W. B. Hibbs & Co., Inc., Washington, D. C.; Frank C. Trubee, Jr., Trubee, Collins & Co., Buffalo; Homer A. Vilas, Cyrus J. Lawrence & Sons, New York.

Following the annual meeting of the Board, Mr. Frost and the retiring Governors were honored at a dinner attended by many past presidents and Governors. The retiring Governors are: Edmond du Pont, Francis I. du Pont & Co., Wilmington, Del.; Eugene M. Geddes, Clark, Dodge & Co., New York City; Roscoe C. Ingalls, Ingalls & Snyder, New York City; Walter Maynard, Shearson, Hammill & Co., New York City; James Parker Nolan, Folger, Nolan-W. B. Hibbs & Co., Inc., Washington D. C.

With Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, Ill.—Paul J. Fisher Jr. is now affiliated with Hornblower & Weeks, 134 South La Salle Street.

Now With Robt. Lewis Co

(Special to The Financial Chronicle)

ROCKFORD, Ill. — Horace C Allen has become connected with Robert G. Lewis & Co., Rockford Trust Building, members of the Midwest Stock Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Acme Oil Corp., Wichita, Kan.
Nov. 4 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Office**—515 Orpheum Bldg., Wichita, Kansas. **Underwriter**—None.

★ Alaska Telephone Corp.
Nov. 9 (letter of notification) $158,000 of 6% 10-year convertible debentures, series D, due Dec. 1, 1964. **Price**—At $70 per $100 debenture. **Proceeds**—For payment of indebtedness, conversion to dial system, increased facilities, and working capital. **Office**—Alaska Trade Bldg., Seattle 1, Wash. **Underwriter**—Tellier & Co., Jersey City, N. J.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

Ampal-American Israel Corp., New York
Sept. 17 filed $5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; $3,125,000 of 5-year discount debentures, series D; and $4,100,000 of 10-year discount debentures, series E. **Price**—Series C, at par; series D $2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E $2,502,111.10, to yield 5%. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anticline Uranium, Inc., San Francisco, Calif.
Oct. 28 (letter of notification) 2,970,000 shares of class A capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—995 Market St., San Francisco, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., Los Angeles, Calif.

Arkansas Natural Resources Corp.
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to drilling for magnetic iron ore. **Office**—Rison, Ark. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

● Armour & Co., Chicago
Nov. 8 filed 500,000 shares of common stock (par $5) to be issued upon the exercise of warrants to be issued in connection with proposed plan to issue $120 principal amount of 5% cumulative income subordinated debentures due Nov. 1, 1984, and one common stock purchase warrant in exchange for each share of no par value $6 cumulative convertible preferred share outstanding with dividend arrearages of $18 per share. This will involve $60,000,000 of new debentures. Warrants would be exercisable at $12.50 per share during the first two years, $15 during the next three years, $17.50 during the following two years and $20 during the last three years. **Financial Advisor**—Wertheim & Co., New York.

Arrowhead & Puritas Waters, Inc. (11/29)
Nov. 8 filed 275,000 shares of capital stock (par $1), of which 50,000 shares are to be issued by the company and 225,000 shares on behalf of American Trust Co., as trustee of Employees' Incentive Bonus Plan and Trust of Rheem Mfg. Co. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to retire unsecured term loan and subordinated term loan and for working capital. **Business**—Produces, distributes and sells bottled drinking water and is engaged in related activities. **Office**—Los Angeles, Calif. **Underwriter**—Blyth & Co., Inc., San Francisco and Los Angeles, Calif., and New York, N. Y.

● Atlas Credit Corp., Philadelphia, Pa. (12/2)
Nov. 1 (letter of notification) 74,800 shares of 20-cent cumulative convertible preferred stock (par $2.50) and 74,800 shares of common stock (par 10 cents) in units of one share of each class of stock. **Price**—$4 per unit. **Proceeds**—For further expansion. **Office**—2411 No. Broad St., Philadelphia 32, Pa. **Underwriter**—George A. Searight, New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Aztec Oil & Gas Co., Dallas, Texas
Oct. 13 filed 285,005 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 29 at the rate of one new share for each seven shares held; rights expire on Dec. 8. **Price**—To be supplied by amendment. **Proceeds**—To exercise an option to purchase certain oil and gas production and undeveloped leases from the Southern Union Gas Co., retire bank loans and to increase working capital. **Underwriter**—None.

★ Bank Building & Equipment Corp. of America
Nov. 12 (letter of notification) 22,800 shares of common stock (par $2). **Price**—$13 per share. **Proceeds**—To three selling stockholders. **Office**—906 Sidney St., St. Louis, Mo. **Underwriter**—Scherck, Richter Co., same city.

Barium Steel Corp., New York
Oct. 12 filed 599,215 shares of common stock (par $1) being offered for subscription by common stockholders at rate of one new share for each four shares held as of Nov. 4 (with an oversubscription privilege); rights to expire Nov. 26. **Price**—$4 per share. **Proceeds**—To repay short-term loan made to subsidiary; a major portion for completion of seamless tube mill being constructed; and for general corporate purposes. **Underwriter**—Lee Higginson Corp., New York.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter**—Call-Smoot Co., Phillips Building, same city.

Big Horn Uranium Corp., Ogden, Utah
Sept. 23 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—3375 Harrison Blvd., Ogden, Utah. **Underwriter**—Allan W. Egbert Co., 2306 Iowa Ave., Ogden, Utah.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Bikini Uranium Corp., Denver, Colo.
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—705 First National Bank Bldg., Denver, Colo. **Underwriter**—I. J. Schenin Co., New York.

Black Hills Power & Light Co. (11/23)
Nov. 3 filed 39,900 shares of cumulative preferred stock (par $25—convertible through Nov. 30, 1964). **Price**—To be supplied by amendment. **Proceeds**—To redeem 5.40% preferred stock, repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Bloss (C. H.) Corp., Chicago, Ill.
Nov. 8 (letter of notification) 285,000 shares of common stock (no par). **Price**—$1 per share). **Proceeds**—For working capital. **Office**—12 South Michigan Ave., Chicago, Ill. **Underwriter**—None.

★ Blue Mountain Uranium Mines, Inc.
Nov. 12 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For exploration and development expenses.

Continued on page 38

NEW ISSUE CALENDAR

November 18 (Thursday)
Kansas City Southern Ry.__________Bonds
(Bids noon EST) $50,000,000

November 22 (Monday)
Old Hickory Copper Co.__________Common
(General Investing Corp.) $300,000
Weco Products Co.__________Common
(Bacon, Whipple & Co.) 182,984 shares

November 23 (Tuesday)
Black Hills Power & Light Co.__________Preferred
(Dillon, Read & Co. Inc.) $997,500
Century Uranium Corp.__________Common
(James Anthony Securities Corp.) $300,000
Consolidated Freightways, Inc.__________Common
(Blyth & Co., Inc.) 100,000 shares
Statler Hotels Delaware Corp.__________Common
(Offering to stockholders of Hilton Hotels Corp.—underwritten by Carl M. Loeb, Rhoades & Co.) $6,448,948
Trade Winds Co.__________Common
(Courts & Co. and Varnedoe, Chisholm & Co., Inc.) $506,250
Virginia Electric & Power Co.__________Common
(Bids 11 a.m. EST) 600,000 shares

November 24 (Wednesday)
El Paso Natural Gas Co.__________Preferred
(White, Weld & Co.) 300,000 shares
Tarbell Mines, Ltd.__________Common
(H. J. Cooney & Co.) $299,880

November 29 (Monday)
Arrowhead & Puritas Waters, Inc.__________Common
(Blyth & Co., Inc.) 275,000 shares
Mexican Gulf Sulphur Co.__________Common
(Van Alstyne, Noel & Co.) 200,000 shares
Pioneer Finance Co.______Debentures & Preferred
(Watling, Lerchen & Co. and Mullaney, Wells & Co.) $1,100,000

November 30 (Tuesday)
Consolidated Television & Radio Broadcasters, Inc.__________Common
(Reynolds & Co.) 160,000 shares
Interstate Power Co.__________Preferred
(Bids 11:30 a.m. EST) $10,000,000
Philippine Long Distance Telephone Co.___Common
(Carl M. Loeb, Rhoades & Co.) 310,285 shares
Public Service Co. of New Hampshire______Bonds
(Bids 11 a.m. EST) $12,000,000
Seaboard Air Line R. R.__________Equip. Trust Ctfs.
(Bids noon EST) $5,010,000

December 1 (Wednesday)
Federal Paper Board Co., Inc.__________Common
(Goldman, Sachs & Co.) 200,000 shares
Laclede Gas Co.__________Bonds
(Bids to be invited) $15,000,000
Pennsylvania Co. for Banking and Trusts_Common
(Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co.) 100,000 shares

December 2 (Thursday)
Atlas Credit Corp.__________Pfd. & Common
(George A. Searight) $299,200
U. S. National Bank of Portland (Ore.)__Common
(Blyth & Co., Inc.) $2,400,000

December 7 (Tuesday)
Central Power & Light Co.__________Preferred
(Bids to be invited) $7,500,000
Long Island Lighting Co.__________Bonds
(Bids 11 a.m. EST) $15,000,000

December 8 (Wednesday)
Australia (Commonwealth of)__________Debentures
(Morgan Stanley & Co.) $25,000,000
Stancan Uranium Corp.__________Common
(Gearhart & Otis, Inc. and Crerie & Co.) $2,625,000
Tennessee Gas Transmission Co.__________Bonds
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $125,000,000
Texas Pacific Ry.__________Equip. Trust Ctfs.
(Bids to be invited) $1,350,000

December 9 (Thursday)
Eastern Utilities Associates__________Bonds
(Bids 11 a.m. EST) $7,250,000
Missouri Pacific RR.__________Equip. Trust Ctfs.
(Bids to be invited) $8,550,000
Monterey Oil Co.__________Common
(Lehman Brothers) 300,000 shares

December 13 (Monday)
Jarecki Corp.__________Common
(Baker, Simonds & Co.) $2,250,000
Servomechanisms, Inc.__________Debentures
(Van Alstyne, Noel & Co.) $2,000,000

December 14 (Tuesday)
New England Tele. & Tele. Co.__________Debentures
(Bids to be invited) $30,000,000
New Orleans Public Service Inc.__________Bonds
(Bids noon EST) $6,000,000

December 15 (Wednesday)
American Discount Co. of Georgia______Preferred
(A. M. Law & Co.; Johnson, Lane, Space & Co.; and Interstate Securities Corp.) $750,000
Belgium (Kingdom of)__________Bonds
(Morgan Stanley & Co.) $30,000,000
Illinois Central RR.__________Debentures
(Bids to be invited) $18,000,000

January 4 (Tuesday)
Union Trust Co. of Maryland__________Common
(Alex. Brown & Sons) 100,000 shares

January 11 (Tuesday)
Commonwealth Edison Co.__________Bonds
(Bids to be invited)
New York, Chicago & St. Louis RR.____Debentures
(Bids to be invited) $36,000,000

January 18 (Tuesday)
New England Power Co.__________Bonds
(Bids to be invited) $25,000,000

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Office—230 N. Third St., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

Blue Jay Uranium Corp., Elko, Nev.
Oct. 15 (letter of notification) 1,000,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—402 Henderson Bank Bldg., Elko, Nev. **Underwriter**—Security Uranium Service, Inc., Moab and Provo, Utah.

California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed $4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a $500 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. **Underwriter** — Barrett Herrick & Co., Inc., New York.

Caramba McKafe Corp. of America
Sept. 17 (letter of notification) 100,000 shares of class A stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment and machinery and for working capital. **Office**—615 Adams St., Hoboken, N. J. **Underwriter**—Garden State Securities, same city.

Carnotite Development Corp.
Oct. 26 (letter of notification) 16,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—317 Main St., Grand Junction, Colo. **Underwriter**—Western Securities Corp., Salt Lake City, Utah.

Carolina Resources Corp.
Aug. 19 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire claims and mining equipment, erect and equip processing plant, and for working capital. **Office**—Nantahala Bldg., Franklin, N. C. **Underwriter** — Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

Cascade Natural Gas Corp., Seattle, Wash.
Oct. 27 (letter of notification) 23,625 shares of common stock (par $1) to be offered for subscription by stockholders on a 1-for-10 basis. **Price** — $6 per share. **Proceeds**—To repay bank loans and promissory notes. **Office**—Securities Bldg., Seattle, Wash. **Underwriters**—Blanchett, Hinton & Jones, Seattle, Wash., and First California Co., Los Angeles, Calif.

Central Airlines, Inc., Fort Worth, Tex.
Oct. 26 (letter of notification) 150,000 shares of common stock (par 25 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—To purchase additional aircraft and equipment, setting up new stations, etc. **Office**—Meacham Field, Fort Worth, Tex. **Underwriter**—None.

★ **Central Power & Light Co. (12/7)**
Nov. 15 filed 75,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Stone & Webster Securities Corp.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. **Bids**—Expected to be received on Dec. 7.

● **Century Uranium Corp., Dallas, Tex. (11/23-26)**
Nov. 3 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Office** — 712 Gulf States Bldg., Dallas Tex. **Underwriter**—James Anthony Securities Corp., New York.

Certain-teed Products Corp., Ardmore, Pa.
Sept. 28 filed 412,950 shares of common stock (par $1) being offered in exchange for 825,900 shares of capital stock (par $7) of Wm. Cameron & Co., Waco, Tex., at rate of one-half share of Certain-teed, plus $11.50 per share in cash for each share of Cameron stock. The offer expires on Nov. 25.

Chemecon Corp., Coopersburg, Pa.
Nov. 1 (letter of notification) 40,000 shares of capital stock (no par). **Price**—$6.25 per share. **Proceeds**—To build plant at Houston, Texas, and for working capital. **Business**—To extract fluorine contained in waste gases. **Office**—129 So. State St., Dover, Del. **Underwriter**—Stein Bros. & Boyce, Baltimore, Md.

Chinchilla Corp. of America, Linthicum, Md.
Oct. 21 (letter of notification) 1,200,000 shares of common stock (par three cents). **Price**—25 cents per share. **Proceeds**—For working capital, etc. **Office**—Hammonds Ferry Road, Linthicum, Md. **Underwriter**—Kelleher & Co., Washington, D. C.

Clearfield Plastics, Inc.
Nov. 8 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To purchase equipment and for working capital. **Office**—Clearfield, Pa. **Underwriter**—P. J. Gruber & Co., Inc., New York.

Colorado Mining Corp., Denver, Colo.
Aug. 23 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—At the market (estimated at $1 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—L. D. Friedman & Co., Inc., New York.

Colorvision, Inc., Los Angeles, Calif.
Nov. 1 (letter of notification) 300,000 shares of common stock to be offered for subscription to present stockholders. **Price**—At par ($1 per share). **Proceeds**—For working capital, inventories, machinery and equipment, etc. **Office**—109 N. Larchmont Blvd., Los Angeles 4, Calif. **Underwriter**—None.

★ **Columbia Pictures Corp.**
Nov. 10 (letter of notification) 769 shares of common stock (no par). **Price**—At market (estimated at $27.25 per share). **Proceeds**—To stockholders entitled to receive fractional shares in connection with 5% stock dividend payable Dec. 7 to stockholders of record Oct. 19, 1954. **Underwriter**—Hallgarten & Co., New York.

Col-U-Mex Uranium Corp., Albuquerque, N. Mex.
Oct. 25 (letter of notification) 2,900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—320 Korber Bldg., Albuquerque, N. Mex. **Underwriter**—Whitney & Co., same city.

★ **Commonwealth Credit Corp., Phoenix, Ariz.**
Nov. 12 (letter of notification) 6,000 shares of 6% cumulative preferred stock (par $25) and 18,000 shares of class A common stock (par $1). **Price**—At par. **Proceeds**—For working capital. **Office**—3309 Rhode Island Ave., Mt. Ranier, Md. **Underwriter**—None.

Compo Shoe Machinery Corp.
Oct. 29 filed 30,928 shares of 5% cumulative convertible preferred stock (par $25) to be offered first for subscription by common stockholders at the rate of one preferred share for each 10 common shares held on or about Nov. 5 (with our oversubscription privilege); rights to expire in 15 to 20 days. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Loewi & Co., Milwaukee, Wis.

★ **Compo Shoe Machinery Corp.**
Nov. 15 filed voting trust certificates for 86,727 shares of common stock, of which 74,227 represent shares which may be issued upon conversion of outstanding preferred stock and 12,500 represent shares which may be issued upon the exercise of certain options. **Voting Trustees**—J. Victor Loewi, Hamilton Pell and Arlen G. Swiger.

Consolidated Credit Corp., Charlotte, N. C.
Oct. 25 (letter of notification) $100,000 of 20-year 6% subordinate sinking fund notes and 100 ten-year warrants to purchase 20 shares of common stock to be sold in units of a $1,000 note and one warrant. **Price**—$1,000 per unit (each warrant is exercisable at $10 per share.) **Proceeds** — To repay bank loan. **Office** — 221½ West Trade St., Charlotte, N. C. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. Proceeds—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. Offering—Originally set for May 11, but has been postponed because of market conditions. No new date set.

● **Consolidated Television & Radio Broadcasters, Inc. (11/30)**
Nov. 9 filed 160,000 shares of common stock (par five cents). Name of company changed from WFBN, Inc. on Nov. 8. **Price**—To be supplied by amendment. **Proceeds**—To H. M. Bitner, Chairman of the Board and members of his family. **Office**—Indianapolis, Ind. **Underwriter**—Reynolds & Co., New York.

Constellation Uranium Corp., Denver, Colo.
Oct. 11 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter**—Petroleum Finance Corp., Oklahoma City, Okla.

★ **Dallas Uranium & Oil Corp.**
Nov. 8 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents). **Proceeds**—For exploration and development expenses. **Office**—1928 National Bank Bldg., Denver, Colo. **Underwriter**—Brereton, Rice & Co., Inc., same city.

Desert Uranium Co., Salt Lake City, Utah
Oct. 18 (letter of notification) 2,000,000 shares of common stock **Price**—At par (15 cents per share). **Proceeds**—For exploration and development expenses. **Office**—524 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

Devil Canyon Uranium Corp., Moab, Utah
Nov. 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—21 Main St., Petersen Bldg., Maob, Utah. **Underwriter**—Melvin F. Schroeder, 501 Kittredge Bldg., Denver, Colo.

Direkt-Form Corp. (N. J.)
Oct. 21 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Business**—In orthopedic appliance and allied fields. **Office**—151 Hackensack Ave., Hackensack, N. J. **Underwriter**—20th Century Pioneer Securities Co., New York.

★ **Eastern Utilities Associates (12/9)**
Nov. 10 filed $7,250,000 collateral trust bonds due Dec. 1, 1979. **Proceeds**—To be used principally to refund $7,000,000 4⅜% bonds now outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly); Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 9 at 49 Federal St., Boston, Mass.

Edgemont Mining & Uranium Corp.
Oct. 28 filed 3,000,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For equipment, exploration on purchases of additional claims or leases. **Office** — Edgemont, S. Dak. **Underwriter** — Capper & Co., New York.

● **El Paso Natural Gas Co. (11/24)**
Nov. 5 filed 300,000 shares of convertible second pre-ferred stock, series of 1954 (no par) to be offered part for subscription by common stockholders of recor Nov. 22 and in part in exchange for outstanding $4.4 convertible preferred stock, series of 1952, on a share for-share basis with a cash adjustment. Rights will ex pire on Dec. 7. **Price**—To be supplied by amendmen **Proceeds**—To redeem 1952 series preferred stock and t reduce bank loans. **Underwriter** — White, Weld & Co New York.

Eula Belle Uranium, Inc.
Oct. 18 (letter of notification) 5,000,000 shares of com mon stock (par one cent). **Price**—Five cents per share **Proceeds**—For exploration and development expense **Office**—506 First Security Bank Bldg., Salt Lake City Utah. **Underwriter**—Utah Securities Co., same city.

Fallon Gas Corp., Denver, Colo.
Oct. 20 (letter of notification) 5,400,000 shares of com mon stock (par five cents) to be offered for subscriptio by stockholders of Colo-Kan Fuel Corp. for a perio of 40 days; then to public. **Price**—5½ cents per share **Proceeds**—For expenses incident to gas activities (an possibly uranium). **Office**—527 Ernest & Cranmer Bldg Denver, Colo. **Underwriter** — First Securities Corp Philadelphia, Pa.

★ **Federal Paper Board Co., Inc. (12/1)**
Nov. 12 filed 200,000 shares of common stock (par $5 **Price**—To be supplied by amendment. **Proceeds**—T selling stockholders. **Underwriter**—Goldman, Sachs & Co., New York.

Fidelity Acceptance Corp., Minneapolis, Minn.
Aug. 30 filed 6,000 shares of 7% cumulative preferre stock (par $25), to be offered to employees; $900,000 c 5¾% capital debentures and 24,000 shares of 6% cumu lative class E preferred stock (par $25). **Price**—At pa **Proceeds**—To reduce outstanding bank loans. **Under writers**—M. H. Bishop & Co., Minneapolis, Minn., an B. I. Barnes, Boulder, Colo. Statement effective Oct. 2

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinkin fund preferred stock. Price—At par ($2 per share). Proceeds—For working capital. Underwriter—E. J. Fountain & Co., Inc., New York.

★ **First National Life Insurance Co., Atlanta, Ga.**
Nov. 9 (letter of notification) 10,000 shares of commo stock to be offered to policyholders of predecessor o the basis of two shares for each $1,000 policy. **Price**—At par ($10 per share). **Proceeds**—To be placed wit State Treasurer as deposit to guarantee payment of pol icies issued by predecessor. **Office**—908-12 Citizens & Southern National Bank Bldg., Atlanta, Ga. **Underwrite**—None.

Foster Publications, Inc. (N. Y.)
Oct. 29 (letter of notification) 300,000 shares of commo stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purpose **Business**—Publishes "Guide for Sport Fisherman." **Office**—165 Broadway, New York. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo
Aug. 16 (letter of notification) 300,000 shares of com mon stock. **Price**—At par ($1 per share). **Proceeds**—Fo exploratory and development expenses. **Office** — 61 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

Funeral Directors Manufacturing & Supply Co.
Nov. 5 filed 199,907 shares of common stock to be sol to customers. **Price**—At par ($100 per share). **Proceed**—For capital expenditures and working capital and othe general corporate purposes. **Office** — Louisville, Ky **Underwriter**—None.

Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock **Price**—At par ($1 per share). **Proceeds**—For explora tion and development costs. **Office** — 100 Adelaide S West, Toronto, Canada. **Underwriter**—McCoy & Willard Boston, Mass.

General Gas Corp.
Sept. 22 filed 143,500 shares of common stock (par $5 being offered in exchange for common stock of Consol idated Gas Co. of Atlanta, Ga., on the basis of 63/100th of a share of General Gas for each Consolidated share The offer is subject to deposit of at least 175,000 share of Consolidated stock out of 210,000 shares outstand ing. **Underwriter**—None.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For genera corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

General Uranium Corp., Salt Lake City, Utah
Oct. 27 (letter of notification) 1,200,000 shares of com mon stock. **Price**—At par (25 cents per share). **Proceeds**—For development and exploration expenses. **Office**—404 Boston Building, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

★ **Glasscock (C. G.)-Tidelands Oil Co., Corpus Christi, Texas**
Nov. 12 filed 215,000 shares of common stock (par $1) **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, to purchase outstanding stock of C. G Glasscock Drilling Co. and for capital expenditures and working capital. **Underwriters**—First California Co San Francisco, Calif.; and William R. Staats & Co. Los Angeles, Calif.

Great Southwest Land & Cattle Co.
Oct. 28 filed 1,250,000 shares of class A common stock to be offered to present and future holders of specia participating life insurance contracts issued by Grea Southwest Life Insurance Co., and to the public gener ally. **Price**—At par ($1 per share. **Proceeds**—To leas

nd for operation of cattle business. **Office**—Phoenix, iz. **Underwriter**—None.

Gulf States Utilities Co.
ay 14 filed 160,000 shares of preferred stock (par $100). **oceeds** — To redeem 50,000 shares of $4.50 dividend eferred stock, 60,000 shares of $4.40 dividend preferred ock, 1949 series, and 50,000 shares of $4.44 dividend eferred stock at the prevailing redemption prices of 05, $105, and $105.75, respectively. **Underwriter**—To determined by competitive bidding. Probable bidrs: Stone & Webster Securities Corp.; Lehman rothers and Equitable Securities Corp. (jointly); Kuhn, eb & Co.; Glore, Forgan & Co. and W. C. Langley & . (jointly). **Bids**—Had tentatively been expected to be ceived up to 11:30 a.m. (EDT) on June 15 at The anover Bank, 70 Broadway, New York, N. Y., but ofring has been postponed.

Gulf States Utilities Co.
ay 14 filed $24,000,000 of first mortgage bonds due ne 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% rst mortgage bonds due 1981 and $10,000,000 of 3⅜% rst mortgage bonds due 1983, and for general corpote purposes. **Underwriter**—To be determined by comtitive bidding. Probable bidders: Halsey, Stuart & . Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenr & Beane and White, Weld & Co. (jointly); Salon Bros. & Hutzler and Union Securities Corp.; Kuhn, eb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee igginson Corp. and Carl M. Loeb, Rhoades & Co. ointly): Stone & Webster Securities Corp. **Bids**—Had ntatively been expected to be received up to 11 a.m. DT) on June 15 at The Hanover Bank, 70 Broadway, ew York, N. Y., but offering has been postponed.

Gunner Uranium, Inc., Seattle, Wash.
ov. 12 (letter of notification) 1,000,000 shares of comon stock (par one cent). **Price**—Five cents per share. oceeds—For exploration and development costs. **Of**e—1810 Smith Tower, Seattle, Wash. **Underwriter**—one.

Gunsite Butte Uranium Corp.
t. 25 (letter of notification) 25,000,000 shares of capil stock. **Price**—At par (one cent per share). **Proceeds** For exploration and development expenses. **Office**— West Broadway, Salt Lake City, Utah. **Underwirter** Melvin G. Glegal & Co., same address.

Hackensack Water Co.
t. 28 filed 48,047 shares of common stock (par $25) be offered for subscription by common stockholders the rate of one new share for each eight shares held of Nov. 18; rights to expire on Dec. 6. **Price**—$40 per are.. **Proceeds**—For capital additions and to purchase curities of Spring Valley Water Works & Supply Co. **nderwriters**—The First Boston Corp. and White, Weld Co., both of New York. **Offering**—Expected today ov. 18).

Harley Patents, Inc.
ov. 10 (letter of notification) 7,900 shares of capital ock (par 10 cents). **Price**—$1.25 per share. **Proceeds** To underwriter, E. E. Smith Co., New York.

Headley (George L.) Associates, Inc.
t. 15 (letter of notification) 295,000 shares of comon stock (par 10 cents). **Price**—$1 per share. **Proceeds** For working capital. **Underwriter**—F. M. Hall & Co., ew York, N. Y.

Home Improvemnt Financing Corp.
ly 1 (amendment) 30,000 shares of 6% cumulative eferred stock (with class A common stock purchase arrants). **Price**—At par ($10 per share). **Proceeds**— finance home improvements. **Underwriter**—Robert Berry, Westfield, N. J., to act as agent.

Home Telephone & Telegraph Co. of Virginia
t. 18 (letter of notification) 40,320 shares of capital ock to be offered to stockholders of record Nov. 18, 54 on the basis of one new share for each seven shares ld. **Price**—At par ($5 per share). **Proceeds**—To rece bank notes. **Office**—107 Valley Street, Emporia, . **Underwriter**—None.

Illinois Telephone Co., Bloomington, Ill.
ov. 17 filed 20,000 shares of cumulative preferred stock, ries C (par $50). **Price**—To be supplied by amendent. **Proceeds** — For construction program. **Under**riter—Dean Witter & Co., San Francisco, Calif.

International Bankers Life Insurance Co.
pt. 29 (letter of notification) 12,500 shares of common ock to be offered for subscription by stockholders of cord Sept. 20, 1954 at rate of one new share for each are held. **Price**—At par ($10 per share). **Proceeds**— r addition to capital and to be invested in appropri e securities. **Office**—Continental Life Building, Fort orth, Texas. **Underwriter**—None.

Interstate Power Co., Dubuque, Iowa (11/30)
t. 29 filed 200,000 shares of preferred stock (par $50). **oceeds**—To redeem 100,000 shares of 4.70% preferred ock at $52.50 per share (plus accrued dividends) and repay $2,000,000 of promissory notes. **Underwriter**— be determined by competitive bidding. Probable biders: Smith, Barney & Co.; Blyth & Co., Inc. and Lehan Brothers (jointly); Merrill Lynch, Pierce, Fenner Beane and Kidder, Peabody & Co. (jointly). **Bids** Expected to be received up to 11:30 a.m. (EST) ov. 30.

Investment Corp. of America
ug. 30 (letter of notification) 3,799 shares of cumulave preferred stock (no par) and 3,799 shares of comon stock (no par). **Price**—For preferred, $20 per share, d for common, $2 per share. **Proceeds**—For working pital. **Office**—3603 Broadway, San Antonio, Tex. **Un**erwriter—Interior Securities, Inc., San Antonio, Tex.

Irwin Community Television Co., Irwin, Pa.
ug. 31 filed 4,000 shares of 5% cumulative preferred ock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Price**—$100 per share. **Proceeds**—For organization expenses, equipment, construction and related purposes.

★ **Kemper Thomas Co., Cincinnati, Ohio**
Nov. 5 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by stockholders first, then to public. **Price**—$16.50 per share. **Proceeds**—For working capital. **Office**—Norwood Park, Cincinnati, O. **Underwriter**—None.

Laclede Gas Co., St. Louis, Mo. (12/1)
Nov. 4 filed $15,000,000 first mortgage bonds due Dec. 1, 1979. **Proceeds**—To redeem $6,050,000 3½% first mortgage bonds due Dec. 1, 1965, and $8,000,000 3¾% first mortgage bonds, due April 1, 1976, and for new construction, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Stone & Webster Securities Corp.; Lehman Brothers; Blair & Co., Inc., and Drexel & Co. (jointly). **Bids**—Expected to be received on Dec. 1.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

★ **Lincoln Uranium Corp., Reno, Nev.**
Nov. 5 (letter of notification) 5,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—McCoy & Willard, Boston, Mass.

Loma Uranium Corp., Denver, Colo.
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York.

Long Island Lighting Co. (12/7)
Nov. 10 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.; Baxter, Williams & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 7.

Lorain Telephone Co., Lorain, Ohio
Sept. 7 (letter of notification) 2,500 shares of common stock (no par) to be first offered for subscription by stockholders. **Price**—$20 per share. **Proceeds**—To reimburse treasury for expenditures already made for additions to property. **Office**—203 West Ninth Street, Lorain, Ohio. **Underwriter**—None.

Mac Fos Uranium, Inc., Salt Lake City, Utah
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office** —239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

★ **Macimiente Uranium Mining Corp.**
Nov. 15 (letter of notification) 1,470,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For exploration and development costs. **Office**—208 Korber Bldg., Albuquerque, N. M. **Underwriter** —None.

Magic Metals Uranium Corp.
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Coninent Securities, Inc., the same city.

Magic Uranium Co., Inc., Salt Lake City, Utah
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For development and exploration costs. **Office**—529 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—I. J. Schenin Co., New York.

Marion River Uranium Co.
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriter**—Crerie & Co., Houston, Tex.

Mayday Uranium Co., Salt Lake City, Utah
Oct. 29 (letter of notification) 17,000,000 shares of common stock (par one-half cent). **Price**—One cent per share. **Proceeds** — For exploration and development costs. **Office**—Harver Bldg., Salt Lake City, Utah. **Underwriter** — Utah Uranium Brokers, 2680 South 20th East, Salt Lake City, Utah.

Mercast Corp., N. Y.
Sept. 30 (letter of notification) 5,000 shares of common stock (par 10 cents). **Price**—$4.75 net to sellers. **Proceeds**—To Atlas Corp. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—Franklin, Mayer & Barnett, New York City.

● **Mexican Gulf Sulphur Co. (11/29-12/4)**
Oct. 22 filed 200,000 shares of common stock (par 10¢). **Price**—To be supplied by amendment. **Proceeds**—For equipment, capital improvements and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

Mi-Ame Canner Beverages Co., Hialeah, Fla.
Oct. 28 (letter of notification) 260,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase raw materials and new machinery, and for working capital. **Underwriter** — Frank D. Newman & Co., Miami, Fla.

★ **Mid-State Commercial Corp.**
Nov. 9 (letter of notification) 4,800 shares of 7% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 2 King St., Middletown, N. Y. **Underwriter**—Olifiers & Co., New York.

Mississippi Power & Light Co.
Sept. 3 filed 44,476 shares of cumulative preferred stock (par $100) to be offered in exchange for a like number of outstanding shares of $6 cumulative preferred stock (no par) on a share-for-share basis (with a cash adjustment). **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. and Shields & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. **Offering**—Temporarily postponed.

Moab Queen Uranium Corp., Reno, Nev.
Nov. 8 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—None, sales to be handled through W. H. Gaskins, Vice-President.

Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., 139 North Virginia St., Reno, Nev.

★ **Monterey Oil Co. (12/9)**
Nov. 17 filed a maximum of 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment (initial offering price to be related to the then current price on the New York Stock Exchange. **Proceeds**—To reduce indebtedness incurred in purchase of assets of Fullerton Oil & Gas Corp. and for general corporate purposes. **Underwriter**—Lehman Brothers, New York.

Monterey Uranium Corp., Salt Lake City, Utah
Aug. 13 (letter of notification) 1,500,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining operations. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah, previously named, has withdrawn as underwriter.

Moore Fabrics, Inc., Pawtucket, R. I.
Sept. 24 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For working capital. **Office**—45 Washington St., Pawtucket, R. I. **Underwriter**—Barrett & Co., same city.

● **National Fuel Gas Co.**
Sept. 29 filed 381,018 shares of common stock (no par) being offered for subscription by common stockholders of record Nov. 8 on the basis of one new share for each ten shares held (with an oversubscription privilege); rights to expire Nov. 29. **Price**—$17.75 per share. **Proceeds**—For investments in and advances to subsidiaries. **Underwriter**—None.

★ **New Method Finance Corp., Springfield, Mass.**
Nov. 4 (letter of notification) $125,000 of 15-year 6% capital debenture bonds, due Nov. 1, 1969, to be offered in exchange to the holders of 6% debenture bonds due Jan. 1, 1956; unexchanged bonds to be offered to public. **Price**—At par (in multiples of $50 each). **Proceeds**—To retire presently outstanding bonds. **Office**—1562 Main St., Springfield, Mass. **Underwriter**—None.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds** —For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

New Orleans Public Service Inc. (12/14)
Nov. 5 filed $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers, Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received up to noon (EST) on Dec. 14.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

★ **Norfolk & Carolina Telephone & Telegraph Co.**
Nov. 10 (letter of notification) 2,000 shares of common stock (par $100) to be offered for subscription by stock-

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How Bright Is the Economic Future?

view which is natural to those whose bent is for rigid planning.

Popular psychology is now recognized as an important influence upon business conditions in any democratic society. In truth, widespread business confidence is essential to prosperity in a country where the people are relatively free to make their attitudes felt in the market place. In a recent issue (August 21) of "The Economist" of London is the statement: "By rights, the United States ought now to be in deep depression; the fact that it is not can be explained only by the persistent refusal of the American people to accept the diagnosis."

The "Prophets of Doom"

This is a keen observation, because a year ago there were numerous prophets of doom who could see nothing ahead but collapse for our economy. Outspoken among them were many who could be shown to have a vested interest in such an outcome — either vested from a political standpoint or vested from a theoretical standpoint, as in the case of those who believe in a rigidly planned economy. Because of this vested interest, they prophesied bad times, either out of wishful thinking or out of sincere belief that conditions could not remain good except under their scheme of things. In other words, they "viewed with alarm" —as has been so often true in our political history.

It is possible that the American people have learned by long experience to discount (by considering the source) what such vested interests say. On the other hand, one must not overlook the fact that it is not only "the outs" who are vested in their beliefs. "The ins" are, too. They have a practical interest in seeing that the country does not experience the dire predictions of their opponents. Remaining in office depends upon reasonable prosperity.

The Administration has been alert to economic conditions while at the same time recognizing the fact that readjustments were inevitable in the transition from Korea back to "cold war." But more than this, President Eisenhower has repeatedly asserted that the Administration's goal is further economic progress because the nation's welfare and security depend upon growth. Recession and stagnation would be bound to lose the cause for which we fought.

There are signs that America is learning to live with her enormous economic strength — not perfectly, but to an encouraging and hopeful extent. But it is too much to say that we have found all the answers yet. The fact that we have had no greater trouble in the transition period after Korea is partly attributable to a continuation of the tense world situation. We have not been able to reduce our defense outlays very much because the old world is not peace-minded—and America cannot risk another Pearl Harbor. Outlays for national security are likely to remain somewhere between $40 billion and $50 billion annually until international tension eases.

As we look into the future, where none of us ever can see with certainty, we may look first to the immediate and then to the more distant future.

Balance of Year Prospects

What are the prospects for the rest of 1954? The expectation among business analysts is that overall production will rise moderately — 4-5% — in the final quarter of 1954. The rate of production by December should be higher than in the closing months of 1953. Some of the reasons for this expected improvement are:

(1) **The record level of construction activity:** The total value of all types of construction, both public and private, in September was $3.16 billion—a new all-time monthly record and 8% higher than in the same month of 1953. For the first 8 months of this year, construction totaled $27.5 billion, 6% more than the record-breaking $26 billion in the same months of last year.

(2) **Industrial activity,** after seasonal adjustment, has remained almost unchanged since spring. Using the most reliable index (the Federal Reserve index of production) to measure industrial activity, we find that the index averaged 124 in August and September this year compared with 136 for the same months last year and 120 in 1952. There has been a drop of only one point since January and actually a gain of a point since April.

No one can say for sure which way the index will go from here, but the fact that it has stopped declining and has actually shown upward tendencies is encouraging.

(3) **The high level of consumer disposable income:** Despite more unemployed than a year ago and lower farm income, the Department of Commerce reports that consumer disposable income (i.e. income after taxes but before consumption expenditures) is higher than last year's record. The figure for the third quarter—latest available—was at an annual rate of $252.5 billion vs. $251.2 billion in the same quarter of 1953.

Higher wages of those employed were alone almost sufficient to offset the loss in income of workers out of jobs. The reduction in personal income taxes of about $1 billion in the June quarter more than offset the decline in personal income before taxes. Thus people have more money to spend on goods than last year—one of the numerous unusual aspects of 1953-54 recession.

The average weekly number of hours per worker and the total number of employed increased moderately in August, September, and October over July. Unemployment has dropped steadily since March. These trends plus further wage boosts in a number of large corporations indicate that personal disposable income will show further gains.

(4) **Rising level of retail sales:** While consumers have had more purchasing power this year than last, they have not been spending quite so much of their income. However, a gradual improvement in retail sales in 1954 compared with 1953 has been evident since May. August was the first month in 1954 that equalled the corresponding month of 1953 in retail sales. September got off to the best start of the year with sales substantially higher than last year: and October likewise showed an increase.

(5) **The reduction in inventories:** Through the third quarter of last year, production was running well above the level of retail trade. It was not until October 1953, that business inventories stopped rising. In almost every month since then stocks of goods have declined and are now well under the year-ago level. In the third quarter of this year the liquidation of stocks on hand was subtracting about $4 billion (at an annual rate) from the gross national product, as compared with an annual rate of inventory addition of $5.8 billion in the June quarter of 1953.

Consequently, the current improvement in sales should bring the year-long period of inventory reduction and its resultant unfavorable effect on the economy to an end.

(6) **Defense expenditures are expected to increase:** The sharp decline in military purchases subtracted nearly $8 billion, at an annual rate, from the gross national product in the second quarter of 1954 vs. the same period of 1953. The decline in government purchases, together with inventory liquidation, accounted for the 1953-54 reduction of $13.9 billion in the gross national product. For the remainder of the year government purchases are expected to add to gross national product instead of subtracting from it.

These, then, are among the reasons that lead to the conclusion that 1954 very likely will be the second best economic year in American history—and surely that will not be bad.

Future Outlook Bright

Looking toward the more distant future one can see forceful, optimistic factors.

(1) **Population continues to grow**—this year at a rate greater than last. It is true that somewhere in the immediate years, reflecting the low birth-rate of the depressed thirties' there will be a decline in the rate of family formation; but, on the other hand, by the 1960's we shall encounter a period reflecting the high birth rates of the 1940's.

We now have almost 163,000,000 people in the United States—people accustomed to more things and better living than people anywhere else in the world. There are over 40,000,000 more of us now than there were in that prosperous pre-depression year 1929. Assuming an average of about 4 to a family, we have at least 10,000,000 more families. By 1965 our population will be approximately 190,000,000.

All these and a continued growth mean capacity to utilize in a rising standard of living a vast quantity of goods and services.

(2) **Until world tension eases and an era of good will among nations returns,** there seems little prospect that America (in her envied position of wealth) can afford to let up very much in her defense program. It now appears likely that not less than $40,000,000,000 will be spent for defense annually for some years to come—a demand that will continue to draw heavily upon our productive capacity.

(3) **Fortunately America's capacity to produce** is the greatest in her history. We are the most advanced nation on earth in technology. No other can equal us in modern plant and capital equipment. And nowhere else can you find a more efficient labor force or more progressive managerial know-how than in this country. Our natural resources remain abundant and rich.

(4) **Our financial system** has withstood the severe strain of the world's worst war — and despite the fact that the dollar has lost about half of its buying power since 1929, Uncle Sam's money is the best in the world. Not only can it be safely declared, but the declaration can be proved, that we have a banking and credit structure far stronger and sounder now than in the 1920's. Commercial banks, savings banks, mortgage companies, savings and loan associations, and insurance companies are able to supply ample funds needed to support expansion. There are no signs of credit stringency anywhere. And our commodity and securities exchanges operate under far safer and less disturbing conditions than in the old days.

(5) **Most encouraging of all**—and the most optimistic—is the fact that our people have saved in these prosperous years to the point that they hold in excess of $200 billion in cash and near cash assets—providing a huge back-log of purchasing power under-girding the consumer market. It is estimated that 20 billion dollars or about 8% of disposable income will be saved this year. Likewise, Americans own more insurance against the hazards of life today than ever before — a condition which lends added stability to the economy. Some of this has been government-sponsored, but a vast amount of it is private. Not only is the consumer in a relatively strong position himself, but his role in our economic system has attained greater recognition than ever before. There has been an increasing realization (certainly reflected in national policy) that the consumption function is basic in the decisions of businessmen who largely determine the investment function. Whereas in the old days, the philosophy was "sales mean jobs," today it is equally recognized that "jobs mean sales."

(6) **Once we make the rough transition** from a war-economy back to a healthy peace-economy there is sound cause to believe that we will embark upon an era of great peacetime economic progress, not requiring inflationary stimulus from government. Much of our hope lies in all the vast new horizons of better living offered by scientific and engineering discoveries of the past two decades — horizons which challenge the imagination of even the most unimaginative person among us.

Only those whose minds have been "poisoned" by memories of the past or by what they have read of the past hold to the dismal belief that America cannot be prosperous except when at war—or when government is spending widly and running huge deficits. Such people might do well to observe that circumstances are different from those of 1929. And not the least of these differences is that the American people and their leaders (industrial, labor, political, and even educational and religious) do not think the way their counterparts did in 1929.

As long as America remains a nation of free people there will be fluctuations in business — we would not want it otherwise. But no one with good sense any longer believes that such violent economic troubles as we had in the 1930's are inevitable. In fact, we believe that in all the greatness of this country such a plague cannot and will not strike again.

History will not repeat itself.

John H. Coffin Joins Minot, Kendall & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John H. Coffin has become associated with Minot, Kendall & Co., Inc., 15 Congress Street, members of the Boston Stock Exchange. Mr. Coffin has recently been affiliated with Coffin & Burr, Incorporated and prior thereto was Boston manager for Paul & Co. Inc.

Join Brown Bros. Harriman

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard D. Kirkpatrick and Francis D. Ouimet are now with Brown Bros. Harriman & Co., 10 Post Office Square. Mr. Ouimet for many years was with White, Weld & Co.

Burdette Barnes Opens

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo.—Burdette I. Barnes is engaging in a securities business from offices at 1249 Pearl Street.

George T. Egee Opens

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—George T. Egee has opened offices in the Carondelet Building to engage in the securities business.

S. E. Firms Elect Sullivan President

John J. Sullivan, senior partner of Bosworth, Sullivan & Co., Denver, and President of the corporation bearing the same name was elected President of the Association of Stock Exchange Firms for the 1954-55 fiscal year by the Board of Governors at its annual meeting. Mr. Sullivan was elected to the Board in 1951 and has served as Vice-President during the past year. His entire business career has been spent in the securities industry. He was Chairman of the National Association of Securities Dealers in 1950 and of the Rocky Mountain Group of the Investment Bankers Association in 1935-36. He succeeds Horace W. Frost, a resident Boston partner of Tucker, Anthony & Co., who has been President since November 1953.

John J. Sullivan

Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York, and Edward Starr, Jr., Drexel & Co., Philadelphia, were elected Vice-Presidents and Douglas G. Bonner, Bonner & Gregory, New York, Treasurer.

New Governors elected for terms of three years to the Board of 35 are:

Herbert S. Hall, Morgan Stanley & Co., New York; Charles L. Morse, Jr., Hemphill, Noyes & Co., New York; Edward Rotan, Rotan, Mosle & Co., Houston; Hal H. Smith, Jr., Smith, Hague, Noble & Co., Detroit; James G. Tremaine, Gude, Winmill & Co., New York.

Re-elected were: Marco F. Hellman, J. Barth & Co., San Francisco; E. Jansen Hunt, White, Weld & Co., New York; Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York; William M. Meehan, M. J. Meehan & Co., New York; Herbert O. Peet, H. O. Peet & Company, Kansas City; Edward Starr, Jr., Drexel & Co., Philadelphia.

Elected as the Nominating Committee for 1955 were: Eugene M. Geddes, Clark, Dodge & Co., New York; George R. Kantzler, E. F. Hutton & Co., New York; James Parker Nolan, Folger, Nolan-W. B. Hibbs & Co., Inc., Washington, D. C.; Frank C. Trubee, Jr., Trubee, Collins & Co., Buffalo; Homer A. Vilas, Cyrus J. Lawrence & Sons, New York.

Following the annual meeting of the Board, Mr. Frost and the retiring Governors were honored at a dinner attended by many past presidents and Governors. The retiring Governors are: Edmond du Pont, Francis I. du Pont & Co., Wilmington, Del.; Eugene M. Geddes, Clark, Dodge & Co., New York City; Roscoe C. Ingalls, Ingalls & Snyder, New York City; Walter Maynard, Shearson, Hammill & Co., New York City; James Parker Nolan, Folger, Nolan-W. B. Hibbs & Co., Inc., Washington, D. C.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul J. Fisher Jr. is now affiliated with Hornblower & Weeks, 134 South La Salle Street.

Now With Robt. Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — Horace C. Allen has become connected with Robert G. Lewis & Co., Rockford Trust Building, members of the Midwest Stock Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ **Acme Oil Corp., Wichita, Kan.**
Nov. 4 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Office**—515 Orpheum Bldg., Wichita, Kansas. **Underwriter**—None.

★ **Alaska Telephone Corp.**
Nov. 9 (letter of notification) $158,000 of 6% 10-year convertible debentures, series D, due Dec. 1, 1964. **Price**—At $70 per $100 debenture. **Proceeds**—For payment of indebtedness, conversion to dial system, increased facilities, and working capital. **Office**—Alaska Trade Bldg., Seattle 1, Wash. **Underwriter**—Tellier & Co., Jersey City, N. J.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

Ampal-American Israel Corp., New York
Sept. 17 filed $5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; $3,125,000 of 5-year discount debentures, series D; and $4,100,000 of 10-year discount debentures, series E. **Price**—Series C, at par; series D $2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E $2,502,111.10, to yield 5%. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anticline Uranium, Inc., San Francisco, Calif.
Oct. 28 (letter of notification) 2,970,000 shares of class A capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—995 Market St., San Francisco, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., Los Angeles, Calif.

Arkansas Natural Resources Corp.
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to drilling for magnetic iron ore. **Office**—Rison, Ark. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

● **Armour & Co., Chicago**
Nov. 8 filed 500,000 shares of common stock (par $5) to be issued upon the exercise of warrants to be issued in connection with proposed plan to issue $120 principal amount of 5% cumulative income subordinated debentures due Nov. 1, 1984, and one common stock purchase warrant in exchange for each share of no par value $6 cumulative convertible preferred share outstanding with dividend arrearages of $18 per share. This will involve $60,000,000 of new debentures. Warrants would be exercisable at $12.50 per share during the first two years, $15 during the next three years, $17.50 during the following two years and $20 during the last three years. **Financial Advisor**—Wertheim & Co., New York.

Arrowhead & Puritas Waters, Inc. (11/29)
Nov. 8 filed 275,000 shares of capital stock (par $1), of which 50,000 shares are to be issued by the company and 225,000 shares on behalf of American Trust Co., as trustee of Employees' Incentive Bonus Plan and Trust of Rheem Mfg. Co. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to retire unsecured term loan and subordinated term loan and for working capital. **Business**—Produces, distributes and sells bottled drinking water and is engaged in related activities. **Office**—Los Angeles, Calif. **Underwriter**—Blyth & Co., Inc., San Francisco and Los Angeles, Calif., and New York, N. Y.

● **Atlas Credit Corp., Philadelphia, Pa. (12/2)**
Nov. 1 (letter of notification) 74,800 shares of 20-cent cumulative convertible preferred stock (par $2.50) and 74,800 shares of common stock (par 10 cents) in units of one share of each class of stock. **Price**—$4 per unit. **Proceeds**—For further expansion. **Office**—2411 No. Broad St., Philadelphia 32, Pa. **Underwriter**—George A. Searight, New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Aztec Oil & Gas Co., Dallas, Texas
Oct. 13 filed 285,005 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 29 at the rate of one new share for each seven shares held; rights expire on Dec. 8. **Price**—To be supplied by amendment. **Proceeds**—To exercise an option to purchase certain oil and gas production and undeveloped leases from the Southern Union Gas Co., retire bank loans and to increase working capital. **Underwriter**—None.

★ **Bank Building & Equipment Corp. of America**
Nov. 12 (letter of notification) 22,800 shares of common stock (par $2). **Price** — $13 per share. **Proceeds** — To three selling stockholders. **Office**—906 Sidney St., St. Louis, Mo. **Underwriter** — Scherck, Richter Co., same city.

Barium Steel Corp., New York
Oct. 12 filed 599,215 shares of common stock (par $1) being offered for subscription by common stockholders at rate of one new share for each four shares held as of Nov. 4 (with an oversubscription privilege); rights to expire Nov. 26. **Price**—$4 per share. **Proceeds**—To repay short-term loan made to subsidiary; a major portion for completion of seamless tube mill being constructed; and for general corporate purposes. **Underwriter**—Lee Higginson Corp., New York.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Horn Uranium Corp., Ogden, Utah
Sept. 23 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—3375 Harrison Blvd., Ogden, Utah. **Underwriter**—Allan W. Egbert Co., 2306 Iowa Ave., Ogden, Utah.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Bikini Uranium Corp., Denver, Colo.
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office** — 705 First National Bank Bldg., Denver, Colo. **Underwriter**—I. J. Schenin Co., New York.

Black Hills Power & Light Co. (11/23)
Nov. 3 filed 39,900 shares of cumulative preferred stock (par $25—convertible through Nov. 30, 1964). **Price**—To be supplied by amendment. **Proceeds**—To redeem 5.40% preferred stock, repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Bloss (C. H.) Corp., Chicago, Ill.**
Nov. 8 (letter of notification) 285,000 shares of common stock (no par). **Price**—$1 per share). **Proceeds**—For working capital. **Office**—12 South Michigan Ave., Chicago, Ill. **Underwriter**—None.

★ **Blue Mountain Uranium Mines, Inc.**
Nov. 12 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For exploration and development expenses.

Continued on page 38

NEW ISSUE CALENDAR

November 18 (Thursday)
Kansas City Southern Ry.____Bonds
(Bids noon EST) $50,000,000

November 22 (Monday)
Old Hickory Copper Co.____Common
(General Investing Corp.) $300,000
Weco Products Co.____Common
(Bacon, Whipple & Co.) 182,984 shares

November 23 (Tuesday)
Black Hills Power & Light Co.____Preferred
(Dillon, Read & Co. Inc.) $997,500
Century Uranium Corp.____Common
(James Anthony Securities Corp.) $300,000
Consolidated Freightways, Inc.____Common
(Blyth & Co., Inc.) 100,000 shares
Statler Hotels Delaware Corp.____Common
(Offering to stockholders of Hilton Hotels Corp.—underwritten by Carl M. Loeb, Rhoades & Co.) $6,448,948
Trade Winds Co.____Common
(Courts & Co. and Varnedoe, Chisholm & Co., Inc.) $506,250
Virginia Electric & Power Co.____Common
(Bids 11 a.m. EST) 600,000 shares

November 24 (Wednesday)
El Paso Natural Gas Co.____Preferred
(White, Weld & Co.) 300,000 shares
Tarbell Mines, Ltd.____Common
(H. J. Cooney & Co.) $299,880

November 29 (Monday)
Arrowhead & Puritas Waters, Inc.____Common
(Blyth & Co., Inc.) 275,000 shares
Mexican Gulf Sulphur Co.____Common
(Van Alstyne, Noel & Co.) 200,000 shares
Pioneer Finance Co.____Debentures & Preferred
(Watling, Lerchen & Co. and Mullaney, Wells & Co.) $1,100,000

November 30 (Tuesday)
Consolidated Television & Radio Broadcasters, Inc.____Common
(Reynolds & Co.) 160,000 shares
Interstate Power Co.____Preferred
(Bids 11:30 a.m. EST) $10,000,000
Philippine Long Distance Telephone Co.____Common
(Carl M. Loeb, Rhoades & Co.) 310,285 shares
Public Service Co. of New Hampshire____Bonds
(Bids 11 a.m. EST) $12,000,000
Seaboard Air Line R. R.____Equip. Trust Ctfs.
(Bids noon EST) $5,010,000

December 1 (Wednesday)
Federal Paper Board Co., Inc.____Common
(Goldman, Sachs & Co.) 200,000 shares
Laclede Gas Co.____Bonds
(Bids to be invited) $15,000,000
Pennsylvania Co. for Banking and Trusts____Common
(Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co.) 100,000 shares

December 2 (Thursday)
Atlas Credit Corp.____Pfd. & Common
(George A. Searight) $299,200
U. S. National Bank of Portland (Ore.)____Common
(Blyth & Co., Inc.) $2,400,000

December 7 (Tuesday)
Central Power & Light Co.____Preferred
(Bids to be invited) $7,500,000
Long Island Lighting Co.____Bonds
(Bids 11 a.m. EST) $15,000,000

December 8 (Wednesday)
Australia (Commonwealth of)____Debentures
(Morgan Stanley & Co.) $25,000,000
Stancan Uranium Corp.____Common
(Gearhart & Otis, Inc. and Crerie & Co.) $2,625,000
Tennessee Gas Transmission Co.____Bonds
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $125,000,000
Texas Pacific Ry.____Equip. Trust Ctfs.
(Bids to be invited) $1,350,000

December 9 (Thursday)
Eastern Utilities Associates____Bonds
(Bids 11 a.m. EST) $7,250,000
Missouri Pacific RR.____Equip. Trust Ctfs.
(Bids to be invited) $8,550,000
Monterey Oil Co.____Common
(Lehman Brothers) 300,000 shares

December 13 (Monday)
Jarecki Corp.____Common
(Baker, Simonds & Co.) $2,250,000
Servomechanisms, Inc.____Debentures
(Van Alstyne, Noel & Co.) $2,000,000

December 14 (Tuesday)
New England Tele. & Tele. Co.____Debentures
(Bids to be invited) $30,000,000
New Orleans Public Service Inc.____Bonds
(Bids noon EST) $6,000,000

December 15 (Wednesday)
American Discount Co. of Georgia____Preferred
(A. M. Law & Co.; Johnson, Lane, Space & Co.; and Interstate Securities Corp.) $750,000
Belgium (Kingdom of)____Bonds
(Morgan Stanley & Co.) $30,000,000
Illinois Central RR.____Debentures
(Bids to be invited) $18,000,000

January 4 (Tuesday)
Union Trust Co. of Maryland____Common
(Alex. Brown & Sons) 100,000 shares

January 11 (Tuesday)
Commonwealth Edison Co.____Bonds
(Bids to be invited)
New York, Chicago & St. Louis RR.____Debentures
(Bids to be invited) $36,000,000

January 18 (Tuesday)
New England Power Co.____Bonds
(Bids to be invited) $25,000,000

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Office—230 N. Third St., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

Blue Jay Uranium Corp., Elko, Nev.
Oct. 15 (letter of notification) 1,000,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—402 Henderson Bank Bldg., Elko, Nev. **Underwriter**—Security Uranium Service, Inc., Moab and Provo, Utah.

California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed $4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a $500 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. **Underwriter** — Barrett Herrick & Co., Inc., New York.

Caramba McKafe Corp. of America
Sept. 17 (letter of notification) 100,000 shares of class A stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment and machinery and for working capital. **Office**—615 Adams St., Hoboken, N. J. **Underwriter**—Garden State Securities, same city.

Carnotite Development Corp.
Oct. 26 (letter of notification) 16,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—317 Main St., Grand Junction, Colo. **Underwriter**—Western Securities Corp., Salt Lake City, Utah.

Carolina Resources Corp.
Aug. 19 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire claims and mining equipment, erect and equip processing plant, and for working capital. **Office**—Nantahala Bldg., Franklin, N. C. **Underwriter** — Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

Cascade Natural Gas Corp., Seattle, Wash.
Oct. 27 (letter of notification) 23,625 shares of common stock (par $1) to be offered for subscription by stockholders on a 1-for-10 basis. **Price** — $6 per share. **Proceeds**—To repay bank loans and promissory notes. **Office**—Securities Bldg., Seattle, Wash. **Underwriters**—Blanchett, Hinton & Jones, Seattle, Wash., and First California Co., Los Angeles, Calif.

Central Airlines, Inc., Fort Worth, Tex.
Oct. 26 (letter of notification) 150,000 shares of common stock (par 25 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—To purchase additional aircraft and equipment, setting up new stations, etc. **Office**—Meacham Field, Fort Worth, Tex. **Underwriter**—None.

★ Central Power & Light Co. (12/7)
Nov. 15 filed 75,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Stone & Webster Securities Corp.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. **Bids**—Expected to be received on Dec. 7.

• Century Uranium Corp., Dallas, Tex. (11/23-26)
Nov. 3 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Office** — 712 Gulf States Bldg., Dallas Tex. **Underwriter**—James Anthony Securities Corp., New York.

Certain-teed Products Corp., Ardmore, Pa.
Sept. 28 filed 412,950 shares of common stock (par $1) being offered in exchange for 825,900 shares of capital stock (par $7) of Wm. Cameron & Co., Waco, Tex., at rate of one-half share of Certain-teed, plus $11.50 per share in cash for each share of Cameron stock. The offer expires on Nov. 25.

Chemecon Corp., Coopersburg, Pa.
Nov. 1 (letter of notification) 40,000 shares of capital stock (no par). **Price**—$6.25 per share. **Proceeds**—To build plant at Houston, Texas, and for working capital. **Business**—To extract fluorine contained in waste gases. **Office**—129 So. State St., Dover, Del. **Underwriter**—Stein Bros. & Boyce, Baltimore, Md.

Chinchilla Corp. of America, Linthicum, Md.
Oct. 21 (letter of notification) 1,200,000 shares of common stock (par three cents). **Price**—25 cents per share. **Proceeds**—For working capital, etc. **Office**—Hammonds Ferry Road, Linthicum, Md. **Underwriter**—Kelleher & Co., Washington, D. C.

Clearfield Plastics, Inc.
Nov. 8 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To purchase equipment and for working capital. **Office**—Clearfield, Pa. **Underwriter**—P. J. Gruber & Co., Inc., New York.

Colorado Mining Corp., Denver, Colo.
Aug. 23 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—At the market (estimated at $1 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—L. D. Friedman & Co., Inc., New York.

Colorvision, Inc., Los Angeles, Calif.
Nov. 1 (letter of notification) 300,000 shares of common stock to be offered for subscription to present stockholders. **Price**—At par ($1 per share). **Proceeds**—For working capital, inventories, machinery and equipment, etc. **Office**—109 N. Larchmont Blvd., Los Angeles 4, Calif. **Underwriter**—None.

★ Columbia Pictures Corp.
Nov. 10 (letter of notification) 769 shares of common stock (no par). **Price**—At market (estimated at $27.25 per share). **Proceeds**—To stockholders entitled to receive fractional shares in connection with 5% stock dividend payable Dec. 7 to stockholders of record Oct. 19, 1954. **Underwriter**—Hallgarten & Co., New York.

Col-U-Mex Uranium Corp., Albuquerque, N. Mex.
Oct. 25 (letter of notification) 2,900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Office**—320 Korber Bldg., Albuquerque, N. Mex. **Underwriter**—Whitney & Co., same city.

★ Commonwealth Credit Corp., Phoenix, Ariz.
Nov. 12 (letter of notification) 6,000 shares of 6% cumulative preferred stock (par $25) and 18,000 shares of class A common stock (par $1). **Price**—At par. **Proceeds**—For working capital. **Office**—3309 Rhode Island Ave., Mt. Ranier, Md. **Underwriter**—None.

Compo Shoe Machinery Corp.
Oct. 29 filed 30,928 shares of 5% cumulative convertible preferred stock (par $25) to be offered first for subscription by common stockholders at the rate of one preferred share for each 10 common shares held on or about Nov. 5 (with our oversubscription privilege); rights to expire in 15 to 20 days. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Loewi & Co., Milwaukee, Wis.

★ Compo Shoe Machinery Corp.
Nov. 15 filed voting trust certificates for 86,727 shares of common stock, of which 74,227 represent shares which may be issued upon conversion of outstanding preferred stock and 12,500 represent shares which may be issued upon the exercise of certain options. **Voting Trustees**—J. Victor Loewi, Hamilton Pell and Arlen G. Swiger.

Consolidated Credit Corp., Charlotte, N. C.
Oct. 25 (letter of notification) $100,000 of 20-year 6% subordinate sinking fund notes and 100 ten-year warrants to purchase 20 shares of common stock to be sold in units of a $1,000 note and one warrant. **Price**—$1,000 per unit (each warrant is exercisable at $10 per share.) **Proceeds** — To repay bank loan. **Office** — 221½ West Trade St., Charlotte, N. C. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. Proceeds—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. Offering—Originally set for May 11, but has been postponed because of market conditions. No new date set.

• Consolidated Television & Radio Broadcasters, Inc. (11/30)
Nov. 9 filed 160,000 shares of common stock (par five cents). Name of company changed from WFBN, Inc. on Nov. 8. **Price**—To be supplied by amendment. **Proceeds**—To H. M. Bitner, Chairman of the Board and members of his family. **Office**—Indianapolis, Ind. **Underwriter**—Reynolds & Co., New York.

Constellation Uranium Corp., Denver, Colo.
Oct. 11 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter**—Petroleum Finance Corp., Oklahoma City, Okla.

★ Dallas Uranium & Oil Corp.
Nov. 8 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents). **Proceeds**—For exploration and development expenses. **Office**—1028 National Bank Bldg., Denver, Colo. **Underwriter**—Brereton, Rice & Co., Inc., same city.

Desert Uranium Co., Salt Lake City, Utah
Oct. 18 (letter of notification) 2,000,000 shares of common stock **Price**—At par (15 cents per share). **Proceeds**—For exploration and development expenses. **Office**—524 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

Devil Canyon Uranium Corp., Moab, Utah
Nov. 8 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—21 Main St., Petersen Bldg., Maob, Utah. **Underwriter**—Melvin F. Schroeder, 501 Kittredge Bldg., Denver, Colo.

Direkt-Form Corp. (N. J.)
Oct. 21 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Business**—In orthopedic appliance and allied fields. **Office**—151 Hackensack Ave., Hackensack, N. J. **Underwriter**—20th Century Pioneer Securities Co., New York.

★ Eastern Utilities Associates (12/9)
Nov. 10 filed $7,250,000 collateral trust bonds due Dec. 1, 1979. **Proceeds**—To be used principally to refund $7,000,000 4⅜% bonds now outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly); Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 9 at 49 Federal St., Boston, Mass.

Edgemont Mining & Uranium Corp.
Oct. 28 filed 3,000,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For equipment, exploration on purchases of additional claims or leases. **Office** — Edgemont, S. Dak. **Underwriter** — Capper & Co., New York.

• El Paso Natural Gas Co. (11/24)
Nov. 5 filed 300,000 shares of convertible second preferred stock, series of 1954 (no par) to be offered in part for subscription by common stockholders of record Nov. 22 and in part in exchange for outstanding $4. convertible preferred stock, series of 1952, on a share-for-share basis with a cash adjustment. Rights will expire on Dec. 7. **Price**—To be supplied by amendment. **Proceeds**—To redeem 1952 series preferred stock and reduce bank loans. **Underwriter** — White, Weld & Co., New York.

Eula Belle Uranium, Inc.
Oct. 18 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—506 First Security Bank Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Fallon Gas Corp., Denver, Colo.
Oct. 20 (letter of notification) 5,400,000 shares of common stock (par five cents) to be offered for subscription by stockholders of Colo-Kan Fuel Corp. for a period of 40 days; then to public. **Price**—5½ cents per share. **Proceeds**—For expenses incident to gas activities (and possibly uranium). **Office**—527 Ernest & Cranmer Bldg., Denver, Colo. **Underwriter** — First Securities Corp., Philadelphia, Pa.

★ Federal Paper Board Co., Inc. (12/1)
Nov. 12 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Goldman, Sachs & Co., New York.

Fidelity Acceptance Corp., Minneapolis, Minn.
Aug. 30 filed 6,000 shares of 7% cumulative preferred stock (par $25), to be offered to employees; $900,000 of 5¾% capital debentures and 24,000 shares of 6% cumulative class E preferred stock (par $25). **Price**—At par. **Proceeds**—To reduce outstanding bank loans. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn., and B. I. Barnes, Boulder, Colo. Statement effective Oct. 2

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. Price—At par ($2 per share). Proceeds—For working capital. Underwriter—E. J. Fountain & Co., Inc., New York.

★ First National Life Insurance Co., Atlanta, Ga.
Nov. 9 (letter of notification) 10,000 shares of common stock to be offered to policyholders of predecessor on the basis of two shares for each $1,000 policy. **Price**—At par ($10 per share). **Proceeds**—To be placed with State Treasurer as deposit to guarantee payment of policies issued by predecessor. **Office**—908-12 Citizens & Southern National Bank Bldg., Atlanta, Ga. **Underwriter**—None.

Foster Publications, Inc. (N. Y.)
Oct. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Business**—Publishes "Guide for Sport Fisherman." **Office**—165 Broadway, New York. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 61 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

Funeral Directors Manufacturing & Supply Co.
Nov. 5 filed 199,907 shares of common stock to be sold to customers. **Price**—At par ($100 per share). **Proceeds**—For capital expenditures and working capital and other general corporate purposes. **Office** — Louisville, Ky. **Underwriter**—None.

Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office** — 100 Adelaide St. West, Toronto, Canada. **Underwriter**—McCoy & Willard, Boston, Mass.

General Gas Corp.
Sept. 22 filed 143,500 shares of common stock (par $5) being offered in exchange for common stock of Consolidated Gas Co. of Atlanta, Ga., on the basis of 63/100ths of a share of General Gas for each Consolidated share. The offer is subject to deposit of at least 175,000 shares of Consolidated stock out of 210,000 shares outstanding. **Underwriter**—None.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

General Uranium Corp., Salt Lake City, Utah
Oct. 27 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development and exploration expenses. **Office**—404 Boston Building, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

★ Glasscock (C. G.)-Tidelands Oil Co., Corpus Christi, Texas
Nov. 12 filed 215,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, to purchase outstanding stock of C. G. Glasscock Drilling Co. and for capital expenditures and working capital. **Underwriters**—First California Co., San Francisco, Calif.; and William R. Staats & Co., Los Angeles, Calif.

Great Southwest Land & Cattle Co.
Oct. 28 filed 1,250,000 shares of class A common stock to be offered to present and future holders of special participating life insurance contracts issued by Great Southwest Life Insurance Co., and to the public generally. **Price**—At par ($1 per share. **Proceeds**—To lease

for operation of cattle business. **Office**—Phoenix, . **Underwriter**—None.

ulf States Utilities Co.
14 filed 160,000 shares of preferred stock (par $100). eeds — To redeem 50,000 shares of $4.50 dividend erred stock, 60,000 shares of $4.40 dividend preferred k, 1949 series, and 50,000 shares of $4.44 dividend erred stock at the prevailing redemption prices of , $105, and $105.75, respectively. **Underwriter—To** determined by competitive bidding. Probable bid- : Stone & Webster Securities Corp.; Lehman hers and Equitable Securities Corp. (jointly); Kuhn, b & Co.; Glore, Forgan & Co. and W. C. Langley & (jointly). **Bids**—Had tentatively been expected to be ived up to 11:30 a.m. (EDT) on June 15 at The over Bank, 70 Broadway, New York, N. Y., but of- ng has been postponed.

ulf States Utilities Co.
y 14 filed $24,000,000 of first mortgage bonds due e 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% t mortgage bonds due 1981 and $10,000,000 of 3⅜% t mortgage bonds due 1983, and for general corpo- purposes. **Underwriter**—To be determined by com- itive bidding. Probable bidders: Halsey, Stuart & Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fen- & Beane and White, Weld & Co. (jointly); Salo- n Bros. & Hutzler and Union Securities Corp.; Kuhn, b & Co. and A. C. Allyn & Co., Inc. (jointly); Lee ginson Corp. and Carl M. Loeb, Rhoades & Co. ntly): Stone & Webster Securities Corp. **Bids**—Had tatively been expected to be received up to 11 a.m. DT) on June 15 at The Hanover Bank, 70 Broadway, w York, N. Y., but offering has been postponed.

Gunner Uranium, Inc., Seattle, Wash.
v. 12 (letter of notification) 1,000,000 shares of com- n stock (par one cent). **Price**—Five cents per share. ceeds—For exploration and development costs. **Of-** —1810 Smith Tower, Seattle, Wash. **Underwriter**— ne.

Gunsite Butte Uranium Corp.
. 25 (letter of notification) 25,000,000 shares of capi- stock. **Price**—At par (one cent per share). **Proceeds** For exploration and development expenses. **Office**— West Broadway, Salt Lake City, Utah. **Underwirter** Melvin G. Glegal & Co., same address.

Hackensack Water Co.
t. 28 filed 48,047 shares of common stock (par $25) be offered for subscription by common stockholders the rate of one new share for each eight shares held of Nov. 18; rights to expire on Dec. 6. **Price**—$40 per re.. **Proceeds**—For capital additions and to purchase urities of Spring Valley Water Works & Supply Co. derwriters—The First Boston Corp. and White, Weld Co., both of New York. **Offering**—Expected today ov. 18).

Harley Patents, Inc.
v. 10 (letter of notification) 7,900 shares of capital ck (par 10 cents). **Price**—$1.25 per share. **Proceeds** To underwriter, E. E. Smith Co., New York.

Headley (George L.) Associates, Inc.
t. 15 (letter of notification) 295,000 shares of com- n stock (par 10 cents). **Price**—$1 per share. **Proceeds** For working capital. **Underwriter**—F. M. Hall & Co., w York, N. Y.

Home Improvemnt Financing Corp.
ly 1 (amendment) 30,000 shares of 6% cumulative eferred stock (with class A common stock purchase rrants). **Price**—At par ($10 per share). **Proceeds**— finance home improvements. **Underwriter**—Robert Berry, Westfield, N. J., to act as agent.

Home Telephone & Telegraph Co. of Virginia
t. 18 (letter of notification) 40,320 shares of capital ck to be offered to stockholders of record Nov. 18, 54 on the basis of one new share for each seven shares ld. **Price**—At par ($5 per share). **Proceeds**—To re- ce bank notes. **Office**—107 Valley Street, Emporia, . **Underwriter**—None.

Illinois Telephone Co., Bloomington, Ill.
v. 17 filed 20,000 shares of cumulative preferred stock, ies C (par $50). **Price**—To be supplied by amend- nt. **Proceeds** — For construction program. **Under-** ter—Dean Witter & Co., San Francisco, Calif.

International Bankers Life Insurance Co.
pt. 29 (letter of notification) 12,500 shares of common ck to be offered for subscription by stockholders of ord Sept. 20, 1954 at rate of one new share for each re held. **Price**—At par ($10 per share). **Proceeds**— r addition to capital and to be invested in appropri- e securities. **Office**—Continental Life Building, Fort orth, Texas. **Underwriter**—None.

Interstate Power Co., Dubuque, Iowa (11/30)
t. 29 filed 200,000 shares of preferred stock (par $50). oceeds—To redeem 100,000 shares of 4.70% preferred ck at $52.50 per share (plus accrued dividends) and repay $2,000,000 of promissory notes. **Underwriter**— be determined by competitive bidding. Probable bid- rs: Smith, Barney & Co.; Blyth & Co., Inc. and Leh- an Brothers (jointly); Merrill Lynch, Pierce, Fenner Beane and Kidder, Peabody & Co. (jointly). **Bids** Expected to be received up to 11:30 a.m. (EST) ov. 30.

Investment Corp. of America
ug. 30 (letter of notification) 3.799 shares of cumula- ve preferred stock (no par) and 3,799 shares of com- on stock (no par). **Price**—For preferred, $20 per share, d for common, $2 per share. **Proceeds**—For working pital. **Office**—3603 Broadway, San Antonio, Tex. **Un-** rwriter—Interior Securities, Inc., San Antonio, Tex.

Irwin Community Television Co., Irwin, Pa.
ug. 31 filed 4,000 shares of 5% cumulative preferred ock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Price**—$100 per share. **Proceeds**—For organization expenses, equipment, construction and related purposes.

★ **Kemper Thomas Co., Cincinnati, Ohio**
Nov. 5 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by stockholders first, then to public. **Price**—$16.50 per share. **Proceeds**—For working capital. **Office**—Norwood Park, Cincinnati, O. **Underwriter**—None.

Laclede Gas Co., St. Louis, Mo. (12/1)
Nov. 4 filed $15,000,000 first mortgage bonds due Dec. 1, 1979. **Proceeds**—To redeem $6,050,000 3½% first mortgage bonds due Dec. 1, 1965, and $8,000,000 3¾% first mortgage bonds, due April 1, 1976, and for new construction, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Stone & Webster Securities Corp.; Lehman Brothers; Blair & Co., Inc., and Drexel & Co. (jointly). **Bids**—Expected to be received on Dec. 1.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — **Uranium Mart, Inc.**, 146 S. Main St., Salt Lake City, Utah.

★ **Lincoln Uranium Corp., Reno, Nev.**
Nov. 5 (letter of notification) 5,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—McCoy & Willard, Boston, Mass.

Loma Uranium Corp., Denver, Colo.
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York.

Long Island Lighting Co. (12/7)
Nov. 10 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.; Baxter, Williams & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 7.

Lorain Telephone Co., Lorain, Ohio
Sept. 7 (letter of notification) 2,500 shares of common stock (no par) to be first offered for subscription by stockholders. **Price**—$20 per share. **Proceeds**—To reimburse treasury for expenditures already made for additions to property. **Office**—203 West Ninth Street, Lorain, Ohio. **Underwriter**—None.

Mac Fos Uranium, Inc., Salt Lake City, Utah
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office** —239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

★ **Macimiente Uranium Mining Corp.**
Nov. 15 (letter of notification) 1,470,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For exploration and development costs. **Office**—208 Korber Bldg., Albuquerque, N. M. **Underwriter** —None.

Magic Metals Uranium Corp.
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Coninent Securities, Inc., the same city.

Magic Uranium Co., Inc., Salt Lake City, Utah
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For development and exploration costs. **Office**—529 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—I. J. Schenin Co., New York.

Marion River Uranium Co.
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriter**—Crerie & Co., Houston, Tex.

Mayday Uranium Co., Salt Lake City, Utah
Oct. 29 (letter of notification) 17,000,000 shares of common stock (par one-half cent). **Price**—One cent per share. **Proceeds** — For exploration and development costs. **Office**—Harver Bldg., Salt Lake City, Utah. **Underwriter** — Utah Uranium Brokers, 2680 South 20th East, Salt Lake City, Utah.

Mercast Corp., N. Y.
Sept. 30 (letter of notification) 5,000 shares of common stock (par 10 cents). **Price**—$4.75 net to sellers. **Proceeds**—To Atlas Corp. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—Franklin, Mayer & Barnett, New York City.

● **Mexican Gulf Sulphur Co. (11/29-12/4)**
Oct. 22 filed 200,000 shares of common stock (par 10¢). **Price**—To be supplied by amendment. **Proceeds**—For equipment, capital improvements and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

Mi-Ame Canner Beverages Co., Hialeah, Fla.
Oct. 28 (letter of notification) 260,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase raw materials and new machinery, and for working capital. **Underwriter** — Frank D. Newman & Co., Miami, Fla.

★ **Mid-State Commercial Corp.**
Nov. 9 (letter of notification) 4,800 shares of 7% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 2 King St., Middletown, N. Y. **Underwriter**—Olifiers & Co., New York.

Mississippi Power & Light Co.
Sept. 3 filed 44,476 shares of cumulative preferred stock (par $100) to be offered in exchange for a like number of outstanding shares of $6 cumulative preferred stock (no par) on a share-for-share basis (with a cash adjustment). **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. and Shields & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. **Offering**—Temporarily postponed.

Moab Queen Uranium Corp., Reno, Nev.
Nov. 8 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—None, sales to be handled through W. H. Gaskins, Vice-President.

Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., 139 North Virginia St., Reno, Nev.

★ **Monterey Oil Co. (12/9)**
Nov. 17 filed a maximum of 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment (initial offering price to be related to the then current price on the New York Stock Exchange. **Proceeds**—To reduce indebtedness incurred in purchase of assets of Fullerton Oil & Gas Corp. and for general corporate purposes. **Underwriter**—Lehman Brothers, New York.

Monterey Uranium Corp., Salt Lake City, Utah
Aug. 13 (letter of notification) 1,500,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining operations. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah, previously named, has withdrawn as underwriter.

Moore Fabrics, Inc., Pawtucket, R. I.
Sept. 24 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For working capital. **Office**—45 Washington St., Pawtucket, R. I. **Underwriter**—Barrett & Co., same city.

● **National Fuel Gas Co.**
Sept. 29 filed 381,018 shares of common stock (no par) being offered for subscription by common stockholders of record Nov. 8 on the basis of one new share for each ten shares held (with an oversubscription privilege); rights to expire Nov. 29. **Price**—$17.75 per share. **Proceeds**—For investments in and advances to subsidiaries. **Underwriter**—None.

★ **New Method Finance Corp., Springfield, Mass.**
Nov. 4 (letter of notification) $125,000 of 15-year 6% capital debenture bonds, due Nov. 1, 1969, to be offered in exchange to the holders of 6% debenture bonds due Jan. 1, 1956; unexchanged bonds to be offered to public. **Price**—At par (in multiples of $50 each). **Proceeds**—To retire presently outstanding bonds. **Office**—1562 Main St., Springfield, Mass. **Underwriter**—None.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds** —For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

New Orleans Public Service Inc. (12/14)
Nov. 5 filed $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers, Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received up to noon (EST) on Dec. 14.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

★ **Norfolk & Carolina Telephone & Telegraph Co.**
Nov. 10 (letter of notification) 2,000 shares of common stock (par $100) to be offered for subscription by stock-

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holders. **Proceeds**—To repay loan. **Office**—Elizabeth City, N. C. **Underwriter**—None.

Northern California Plywood, Inc.
Sept. 13 filed 300 shares of common stock (par $5,000) and 5,000 shares of 5% cumulative participating preferred stock (par $100). **Price**—At par. **Proceeds**—To purchase properties of Paragon Plywood Corp. and purchase of raw materials. **Office** — Crescent City, Calif. **Underwriter**—None. Sales to be made through Raymond Benjamin Robbins.

★ **Okla Petroleum Corp.**
Nov. 8 (letter of notification) 207,132 shares of common stock to be offered for subscription by stockholders. **Price**—75 cents per share. **Proceeds**—To finance development of leases and for drilling. **Office**—100 No. Phillips Ave., Sioux Falls, S. D. **Underwriter**—None.

Ol Jato Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,750,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining operations. **Office**—114 Atlas Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain Securities, the same city.

● **Old Hickory Copper Co., Phoenix, Ariz. (11/22)**
Oct. 7 (letter of notification) 750,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds** — For mining expenses. **Offices** — Mayer-Heard Bldg., Phoenix, Ariz., and 2 Broadway, New York, N. Y. **Underwriter**—General Investing Corp., New York.

Oregon Washington Telephone Co.
Oct. 7 (letter of notification) 1,000 shares of 5% cumulative preferred stock being offered for subscription by present preferred stockholders on an allotment basis; rights to expire on Nov. 19. **Price**—At par ($100 per share). **Proceeds**—To retire bank loan. **Office**—Hood River, Ore. **Underwriter**—Zilka, Smither & Co., Inc., Portland, Ore.

★ **Paraderm Laboratories, Inc., Portland, Me.**
Nov. 12 (letter of notification) 250,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—415 Congress St., Portland, Me. **Underwriter** — Sheehan & Co., Boston, Mass.

Paramount Uranium Corp., Moab, Utah
Oct. 7 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—325 Main St., Moab, Utah. **Underwriter**—Van Blerkom & Co., Salt Lake City, Utah.

Pay Day Uranium Co., Las Vegas, Nev.
Oct. 15 (letter of notification) 2,500,000 shares of capital stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—230 Fremont St., Las Vegas, Nev. **Underwriter**—Allied Underwriter Co., the same city.

Peoples Securities Corp., New York
Aug. 11 filed 74,280 shares of capital stock. **Price**—$11 per share. **Proceeds**—For investment. **Office**—136 East 57th Street, New York, N. Y. **Underwriter**—None.

Philippine Long Distance Telephone Co. (11/30)
Nov. 8 filed 310,235 shares of capital stock (par 10 pesos-Philippine). **Price**—To be supplied by amendment. **Proceeds** — To Anglo-Canadian Telephone Co., Montreal, Canada. **Office** — Manila, P. I. **Underwriter** — Carl M. Loeb, Rhoades & Co., New York.

● **Pioneer Finance Co., Detroit, Mich. (11/29)**
Nov. 8 filed 50,000 shares of 6% cumulative preferred stock (par $10) and $600,000 of 10-year sinking fund subordinated debentures. **Price**—At par. **Proceeds**—To redeem outstanding debentures and for working capital. **Underwriters** — Watling, Lerchen & Co., Detroit, Mich., and Mullaney, Wells & Co., Chicago, Ill.

Pioneer Uranium Corp., Moab, Utah
Oct. 8 (letter of notification) 75,000 shares of capital stock (par 15 cents). **Price**—At market (approximately 33 cents per share). **Proceeds** — For working capital. **Underwriter**—Harrison S. Brothers & Co., Salt Lake City, Utah.

★ **Pittsburgh-Des Moines Steel Co.**
Nov. 16 (letter of notification) 6,710 shares of beneficial interest in the company's Employees' Trust Fund. **Price**—$15.70 per share. **Proceeds**—For working capital. **Office** — Neville Island, Pittsburgh, Pa. **Underwriter** — None.

★ **Powder River Uranium, Inc.**
Nov. 15 (letter of notification) 9,000,000 shares of capital stock (par one cent). **Price**—Two cents per share. **Proceeds**—For exploration and development costs. **Office**—522 South 5th St., Elko, Nev. **Underwriter**—Weston Taylor, Provo, Utah, and Las Vegas, Nev.

Public Service Co. of New Hampshire (11/30)
Nov. 5 filed $12,000,000 first mortgage bonds, series H, due 1984. **Proceeds**—To redeem $2,968,000 of 3¾% series F bonds at $105.15 and $7,000,000 of 4% series G bonds at $103.75; and to repay short-term borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Equitable Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 30.

Quaker Warehouse Co., Inc., Philadelphia, Pa.
Sept. 10 filed $900,000 of 10-year 6% debentures due Sept. 1, 1964, to be offered to stockholder members of Quaker City Wholesale Grocery Co., a 100% cooperative retail grocer owned organization. **Price**—At par. **Proceeds**—To purchase building, and for modernization and improvements. **Underwriter**—None.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

Reinforced Plastics Corp., Martha's Vineyard, Mass.
Oct. 28 (letter of notification) $295,000 of 5½% six-year convertible debentures, due Oct. 1, 1960, and 29,500 shares of common stock (par one cent) to be offered in units of one $1,000 debenture and 100 shares of stock. **Price** — $1,001 per unit. **Proceeds** — To retire debt, buy equipment and for working capital, etc. **Underwriter**—John R. Boland & Co., Inc., New York.

★ **Reliance National Life Insurance Co.**
Nov. 5 (letter of notification) 4,500 shares of class B common stock (par $10). **Price**—$25 per share. **Office**—64 East 21st South St., Salt Lake City, Utah. **Underwriter**—None, Frank B. Salisbury, President and Treasurer to handle sales.

Resort Airlines, Inc., Miami, Fla.
Oct. 21 (letter of notification) 1,190,000 shares of common stock (par 10 cents) being offered to minority stockholders on the basis of one new share for each two shares held of record Oct. 26, 1954. Resort Airlines, Inc. (Del.), parent, has the right to purchase up to 84% of the offer. **Price**—20 cents per share. **Proceeds**—To reduce accounts payable and for working capital. **Address**—Box 242, International Airport, Miami, Fla. **Underwriter**—None.

★ **Rhodesian Selection Trust Ltd. (Northern Rhodesia)**
Nov. 12 filed 100,000 American shares to be issued against deposit of ordinary shares of Rhodesian Selection Trust Ltd. to be offered by subscription warrants to holders of American shares. (Rhodesian's principal offices were transferred from England to Lusaka, Northern Rhodesia, in 1953, and its principal asset consists of shares of the Mufulira Copper Mines, Ltd., Northern Rhodesia.) Proceeds of Rhodesian's offering of its shares will be used to subscribe to pro rata shares of a stock offering by Mufulira; the balance for general corporate purposes. **Underwriter**—Scholle Brothers, New York.

Richland Uranium Corp., Salt Lake City, Utah
Nov. 2 (letter of notification) 2,950,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—810 First Security Bank Bldg., Salt Lake City, Utah. **Underwriter**—Jackson & Co., Inc., Boston, Mass.

★ **Riverside Mining Co., Helena, Mont.**
Nov. 8 (letter of notification) 32,817 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development expenses. **Address**—c/o C. E. Pew, 314 Fuller Ave., Helena, Mont. **Underwriter**—None.

Rolon Tire Chain Corp., Denver, Colo.
Oct. 27 (letter of notification) 60,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For increased inventory, working capital, sales and production expenses, etc. **Office**—150 Tejon St., Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., same city.

★ **Rome Cable Corp., Rome, N. Y.**
Nov. 15 (letter of notification) 15,500 shares of common stock (par $5) to be offered to certain key employees. **Price**—$17.50 per share. **Proceeds**—For working capital. **Underwriter**—None.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). Price—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

San Juan Racing Association (Puerto Rico)
Oct. 1 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To build and operate a horse-racing establishment in Puerto Rico. **Office**—Flamingo Bldg., Santurce, P. R. **Underwriter**—Hunter Securities Corp., New York.

San Juan Uranium Exploration, Inc.
Nov. 2 (letter of notification) 2,840,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—718 Kittredge Bldg., Denver, Colo. **Underwriter**—Rogers & Co., same address.

★ **Shasta Copper & Uranium Co., Inc.**
Nov. 4 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For exploration and development expenses. **Office**—612 Dooly Bldg., Salt Lake City, Utah. **Underwriter**—None, but K. L. Stoker, 1652 Blaine Ave., Salt Lake City, Utah will handle sales.

Slick Rock Uranium Development Corp.
Oct. 8 (letter of notification) 2,900,000 shares of common stock (par five cents), including shares for option to underwriter and prior property owner to be amended. **Price**—10 cents per share. **Proceeds**—For development and exploration expenses. **Office**—Newhouse Hotel, Salt Lake City, Utah. **Underwriter** — Van Blerkom & Co., same city.

Solomon Uranium & Oil Corp., Inc.
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Offices** — 506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. **Underwriter**—E. R. Bell & Co., Kansas City, Mo.

Stancan Uranium Corp., Toronto, Canada (12/8)
Nov. 4 filed 1,750,000 shares of common stock (par 1¢). **Price**—$1.50 per share. **Proceeds**—To acquire uranium claims and for exploration and development work. **Underwriters** — Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Texas.

● **Standard Oil Co. (New Jersey)**
Oct. 15 filed 8,969,055 shares of capital stock (par $15) being offered in exchange for Humble Oil & Refining Co. capital stock on the basis of nine shares of Standard for 10 shares of Humble. The offer was subject to tender of at least 2,765,616 shares so that Standard will own at least 80% or more of the Humble Oil capital stock. The offer expires on Nov. 30, 1954. [On Nov. 15 it was announced that more than 2,765,616 shares of Humble stock have already been tendered under this offer.—Ed.] **Underwriter**—None.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

Statler Hotels Delaware Corp. (11/23)
Nov. 4 filed 1,004,509 shares of common stock (par $1) to be offered for subscription by common stockholders of Hilton Hotels Corp. (except members of its executive group) on the basis of one Statler share for each Hilton share held on or about Nov. 23; rights to expire around Dec. 10. The members of the executive group have purchased and paid for an aggregate of 650,000 additional shares of Statler stock. **Price** — $6.42 per share. **Proceeds**—To finance, in part, purchase of Hotels Statler Co., Inc. properties. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

Stouffer Corp., Cleveland, Ohio
Oct. 19 (letter of notification) 1,500 shares of common stock (par $2.50). **Price**—Not to exceed $22.50 per share. **Proceeds**—To Gordon Stouffer, Chairman of the Board. **Underwriter**—Ross, Borton & Simon, Inc., Cleveland, O.

Stylon Corp., Milford, Mass.
Sept. 27 filed 650,000 shares of common stock (par $1) to be offered to the holders of the $1,300,000 City of Florence, Ala., 5% first mortgage industrial development revenue bonds on the basis of 500 shares of stock for each $1,000 bond up to and including Aug. 31, 1958; 333 shares per $1,000 bond thereafter and up to and including Aug. 31, 1963; 250 shares thereafter and up to and including Aug. 31, 1968; and 200 shares thereafter to Oct. 15, 1977. It is the present intention of the management of the company to hold any bonds so tendered for the purposes of receiving tax-free income thereon. **Underwriter**—None.

Superior Uranium Co., Las Vegas, Nev.
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

● **Tarbell Mines, Ltd. (Canada (11/24)**
Sept. 24 (Regulation "D") 599,760 shares of common stock (par $1—Canadian). **Price**—50 cents per share—U. S. funds. **Proceeds**—For exploration and development expenses and acquisition of property. **Underwriter**—H. J. Cooney & Co., New York.

Temple Mountain Uranium Co.
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share. **Proceeds**—For exploration and development expenses. **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup, same city.

★ **Tennessee Gas Transmission Co. (12/8)**
Nov. 17 filed $125,000,000 of new first mortgage pipe line bonds due 1975. **Price**—To be supplied by amendment. **Proceeds**—To redeem $38,450,000 3⅞% bonds due 1972; $24,750,000 4% bonds and $29,400,000 4⅛% bonds both due 1973; to pay $21,000,000 outstanding short term notes; and for general corporate purposes. **Underwriters**—Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers Brothers, New York, on a "best efforts" basis.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

Trade Winds Co., Thunderbolt, Ga. (11/23)
Nov. 1 filed 112,500 shares of common stock (par $1), of which the company proposes to sell 37,500 shares and selling stockholders 75,000 shares. **Price**—$4.50 per share. **Proceeds** — For working capital. **Underwriters** — Courts & Co., Atlanta, Ga., and Varnedoe, Chisholm & Co., Inc., Savannah, Ga.

Trans-Continental Uranium Corp.
Oct. 1 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development costs. **Office**—358 S. 3rd St. East, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., same city.

★ **Transport Indemnity Co., Los Angeles, Calif.**
Nov. 9 (letter of notification) 14,230 shares of capital stock (par $10) to be offered for subscription by stockholders of record Nov. 20, 1954, on the basis of one new share for each five shares held; rights to expire on Dec. 20, 1954. **Price**—$20 per share to stockholders; remaining shares, if any, may be sold to affiliate at $23.50, but aggregate amount will not exceed $300,000. **Proceeds**—For capital and surplus. **Office**—3670 Wilshire Blvd., Los Angeles 5, Calif. **Underwriter**—None.

★ **Triangle Uranium Corp., Las Vegas, Nev.**
Nov. 5 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Offices** 120 N. Third St., Las Vegas, Nev., and 2460 Kiesel Ave., Ogden, Utah. **Underwriter** — Weber Investment Co., Provo and Ogden, Utah.

★ **Trusteed Funds, Inc., Boston, Mass.**
Nov. 12 filed $400,000 of Commonwealth Fund Indenture of Trust Plan C securities. **Proceeds**—For investment.

★ **Turf Paradise, Inc., Phoenix, Ariz.**
Nov. 12 filed 83,334 shares of common stock (par $10) and 83,334 shares of preferred stock (par $20) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—To construct racing plant and to repay obligations. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office**—906 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Western Securities Corp., the same city.

Uintah Uranium, Inc., Salt Lake City, Utah.
Oct. 5 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration and development costs. **Office**—424 Judge Bldg., Salt Lake City, Utah. **Underwriter**—James E. Reed Co., same city.

Union Compress & Warehouse Co.
June 25 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To 35 selling stockholders. **Office** — Memphis, Tenn. **Underwriters**—Leftwich & Ross and Mid-South Securities Co., both of Memphis, Tenn.

★ **United Western Sales Division, Inc.**
Nov. 15 (letter of notification) 600,000 shares of preferred common stock (par one cent). **Price**—50 cents per share. **Proceeds**—To promote sales of drug, chemical and cosmetic products. **Office**—619 - 22nd St., Denver, Colo. **Underwriter**—None.

Universal Petroleum Exploration & Drilling Corp.
Oct. 4 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For cost of Driller Boy (drilling equipment which company rents out), and working capital. **Office**—c/o Edwin J. Dotson, attorney-at-law, Simon Bldg., 230 Fremont St., Las Vegas, Nev. **Underwriter**—Robert B. Fisher Investments, 510 South Fifth St., Las Vegas, Nev.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

Uranium Corp. of Colorado
Sept. 23 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and development costs. **Office** — 129 East 60th St., New York, N. Y. **Underwriter**—None.

Uranium of Utah, Inc., Provo, Utah
Sept. 14 (letter of notification) 3,000,000 shares of common stock (par 1 cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office** 227 N. University Ave., Provo, Utah. **Underwriter**—Bay Securities Corp., New York.

Utaco Uranium, Inc., Salt Lake City, Utah
Oct. 7 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office**—420 Felt Building, Salt Lake City, Utah. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

Utah Apex Uranium Co.
Oct. 18 (letter of notification) 3,000,000 shares of capital stock (par three cents). **Price**—Six cents per share. **Proceeds**—For exploration and development expenses. **Office**—430 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid-Continent Securities, Inc., same city.

Utah Premier Uranium Co.
Oct. 19 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — 516 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter**—J. E. Call & Co., same city.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

Vigorelli of Canada, Ltd. (Canada)
Aug. 9 (Regulation "D") 96,770 shares of 8% preferred stock (par $2) and 96,770 shares of common stock (par $1) in units of one share of each class. **Price**—$3.10 per unit. **Proceeds**—For exploration and development expenses. **Office**—1812 St. Catherine St. West, Montreal, Canada. **Underwriter**—B. Fennekohl & Co., New York.

Virginia Electric & Power Co. (11/23)
Oct. 22 filed 600,000 shares of common stock (par $10) to be offered for subscription by stockholders of record Nov. 23 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Dec. 8. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp. **Bids**—To be received at Room 735, 11 Broad St., New York City, up to 11 a.m. (EST) on Nov. 23.

★ **Virginia Iron, Coal & Coke Co.**
Nov. 4 (letter of notification) 200 shares of common stock (par $10). **Price**—At market (aggregate amount not to exceed $6,000). **Proceeds**—To Frederick S. Peters, the selling stockholder. **Office** — 310 West Campbell Ave., Roanoke, Va. **Underwriter**—None.

Vulcan-Uranium Mines, Inc., Wallace, Idaho
Oct. 15 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For expenses incident to mining operations. **Address**—P. O. Box 289, Wallace, Idaho. **Underwriter**—Alden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

Warren (J. C.) Corp.
Oct. 25 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—To purchase equipment, liquidate debt to individuals and for working capital. **Office**—21 Hanse Ave., Freeport, N. Y.

Washington Natural Gas Co., Clarksburg, Va.
Sept. 20 (letter of notification) 10,000 shares of common stock. **Price**—At the market (estimated at $1.37½ per share). **Proceeds**—To Elizabeth D. Hardman, the selling stockholder. **Underwriter**—Barrett Herrick & Co., Inc., New York.

• **Weco Products Co., Chicago, Ill. (11/22-24)**
Oct. 29 filed 182,984 shares of common stock (par $1). **Price**—To be supplied by amendment (probably $13.50 per share). **Proceeds**—To selling stockholders. **Underwriter**—Bacon, Whipple & Co., Chicago, Ill.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. Price—To be supplied by amendment. Proceeds—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. Underwriters — White, Weld & Co. and Union Securities Corp., both of New York. Offering—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). Price—To be supplied by amendment. Proceeds—Together with other funds, to be used to build pipeline. Underwriters—White, Weld & Co. and Union Securities Corp., both of New York. Offering—Postponed indefinitely.

★ **West Disinfecting Co.**
Nov. 12 (letter of notification) 7,100 shares of common stock (par 50 cents) to be offered to employees. **Price**—$14 per share. **Proceeds**—To James E. Marcuse, the selling stockholder. **Office**—42-16 West St., Long Island City 1, N. Y. **Underwriter**—None.

Western Central Petroleums, Inc., N. Y.
Sept. 16 (letter of notification) 133,333 shares of common stock (par 10 cents). **Price**—At market (estimated at 36½ cents). **Proceeds**—To certain selling stockholders. **Office** — 32 Broadway, New York. **Underwriter** — S. B. Cantor Co., New York.

Western Fire & Indemnity Co., Lubbock, Texas
Oct. 18 filed 30,000 shares of common stock (par $10). **Price**—$25 per share. **Proceeds**—To establish reserve to qualify company to do business in States other than Texas. **Underwriter**—None.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

Western Precipitation Corp., Los Angeles, Calif.
Oct. 21 filed 60,000 shares of common stock (par $1). **Price**—$8.75 per share. **Proceeds**—For working capital, etc. **Business**—Designs, manufactures and installs equipment used for clearing industrial gases. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

Wilco Oil & Minerals Corp.
Nov. 2 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to oil activities. **Office** — 728 Columbus St., Rapid City, S. D. **Underwriter**—Fenner-Streitman & Co., New York.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Wytex Oil Corp.
Sept. 17 (letter of notification) $290,000 of 10-year 5% sinking fund debentures (with warrants) being offered to class A and for class B stockholders of record Aug. 29 on the basis of $500 of debentures for each 50 shares of stock held; rights to expire on Nov. 30. **Price**—At par. **Proceeds**—To reduce bank loans and for development of company's wells in Weston County, Wyo. **Office** — 100 State St., Albany 7, N. Y. **Underwriter**—None.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

Aluminium, Ltd.
Oct. 13 it was announced stockholders on Nov. 23 will vote on increasing the authorized capital stock from 10,000,000 shares (9,026,234 shares outstanding) to 20,000,000 shares (no par value) of which a part may be offered for subscription by stockholders. **Price**—It is expected that the proceeds will amount to approximately $40,000,000. **Proceeds**—For expansion program. **Dealer Managers**—In April, 1953, The First Boston Corp., A. E. Ames & Co., Ltd., and White, Weld & Co. managed a group of soliciting dealers to procure subscriptions for the shares. **Offering**—Probably early in 1955.

★ **American Discount Co. of Georgia (12/15)**
Nov. 11 it was reported company plans issuance and sale of 15,000 shares of 5% cumulative preferred stock (par $50). **Underwriters**—A. M. Law & Co.; Johnson, Lane, Space & Co. and Interstate Securities Corp.

• **Australia (Commonwealth of) (12/8)**
Nov. 17 it was announced an issue of $25,000,000 of 15-year sinking fund bonds will be soon registered with the SEC. **Proceeds**—Together with other funds, to redeem on Jan. 15, 1955, $29,631,000 of 5% bonds due July 15, 1955. **Underwriter**—Morgan Stanley & Co., New York.

• **Belgium (Kingdom of) (12/15)**
Nov. 1 it was reported sale of $30,000,000 of new bonds is soon expected. **Underwriter**—Morgan Stanley & Co., New York.

★ **Bell & Gossett Co., Morton Grove, Ill.**
Nov. 15 it was reported company may be planning about $4,000,000 of new financing. **Underwriter**—Blair & Co. Incorporated, New York.

Boatmen's National Bank, St. Louis, Mo.
Nov. 8 the bank offered stockholders of record Nov. 8 the right to subscribe on or before Nov 22 for 25,000 additional shares of capital stock (par $20) at $50 per share on a 1-for-10 basis. **Underwriter**—I. M. Simon & Co., St. Louis, Mo.

★ **Broadway-Hale Stores, Inc., Los Angeles, Calif.**
Nov. 5 it was announced stockholders on Nov. 16 will vote on increasing the authorized preferred stock (par $25) from 136,624 shares to 260,000 shares. It is planned to offer in exchange a new issue of $1.25 preferred stock for the present $1.15 preferred stock and sell 63,376 additional shares to finance expansion and provide working capital. Previous preferred stock financing was done privately in 1951.

Byers (A. M.) Co.
Oct. 11, A. B Drastrup, President, announced that company plans to refinance the 42,277 outstanding shares of 7% preferred stock (par $100) through a new issue of preferred stock and possibly also include issuing additional common stock. **Proceeds**—To retire existing preferred stock and for capital expenditures and working capital. **Underwriter**—Previous preferred stock fi-

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nancing was handled by Dillon, Read & Co. Inc., New York.

Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. **Underwriter**—May be determined by competitive bidding. Probable bidders; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Not expected until early in 1955.

Chesapeake & Ohio Ry.
Sept. 29 it was reported company plans to issue and sell $40,000,000 of new bonds. **Proceeds**—To refund its outstanding $37,851,000 3⅞% bonds and $2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

Chicago & Eastern Illinois RR.
Sept. 21 company filed an application with the ICC for authority to issue $15,350,000 of 5% income debentures due Jan. 1, 2054, to be offered in exchange, par for par, for the outstanding 383,751 shares of class A stock (par $40).

★ Chicago, Milwaukee, St. Paul & Pacific RR.
Nov. 16 it was announced company has applied to the Interstate Commerce Commission for authority to issue and sell $7,200,000 of equipment trust certificates due in 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific RR.
Oct. 28 it was reported that this company may possibly announce a refunding operation soon which will eliminate its preferred stock.

Commonwealth Edison Co. (1/11)
Nov. 5, William Gale, Chairman, disclosd that this company plans to file a registration statement with the SEC in December covering a proposed issue of long-term, sinking fund debentures (the exact amount of which has not yet been determined). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Bids**—Expected to be received on Jan. 11.

Consolidated Freightways, Inc. (11/23)
Oct. 18 the corporation applied to the ICC for authority to issue and sell 100,000 shares of common stock (par $5). **Price**—Not less than $16.50 per share. **Proceeds**—To finance purchase of equipment. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Consolidated Natural Gas Co.
Sept. 16 J. French Robinson, President, announced that stockholders on Dec. 2 will vote on authorizing 920,822 additional shares of capital stock for an offering to stockholders planned for 1955 on a 1-for-8 basis. **Underwriter**—None.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J.

★ Duke Power Co.
Nov. 10 it was announced company plans to issue and sell $40,000,000 of 20-year first mortgage bonds. **Proceeds**—To redeem $35,000,000 3¾% bonds, due 1983, and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Bids**—Expected in January.

★ Duke Power Co.
Nov. 10 company announced it plans to offer to its common stockholders a maximum of 218,737 additional shares of common stock on a 1-for-20 basis. **Proceeds**—For construction program. **Underwriter**—None.

Evans Products Co., Plymouth, Mich.
Nov. 6 it was announced stockholders will vote Dec. 21 on approving an authorized issue of 100,000 shares of preferred stock (par $50) and on increasing the author ized common stock (par $5) from 300,000 shares to 1,000,000 shares. **Business**—Company manufactures freight car loading equipment. **Financing**—Not imminent.

First National Bank of Cincinnati
Oct. 18 the Bank offered to its stockholders of record Oct. 15 the right to subscribe on or before Nov. 19 for 195,750 additional shares of capital stock on a 3-for-10 basis. **Price**—$20 per share. **Underwriter**—None.

• Fort Neck National Bank, Seaford, N. Y.
Nov. 17 stockholders of record Nov. 16 were offered 26,000 additional shares of capital stock (par $12.50) on a 1-for-2 basis; rights to expire on Dec. 7. **Price**—$20 per share. **Underwriter**—Blair & Co. Incorporated, New York.

★ General Homes, Inc., Huntington Station, L. I., N. Y.
Nov. 17 it was announced company plans to issue and sell 300,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For working capital. **Business**—Prefabricated houses. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in December.

General Telephone Co. of the Southwest
Aug. 25 stockholders approved an increase in the authorized preferred stock (par $20) from 400,000 to 700,000 shares and in the common stock from 500,000 to 1,000,000 shares. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Gulf, Moblie & Ohio RR.
Aug. 23 it was reported company may consider the issuance of about $25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3¾s due 1975 and 1969, respectively; collateral trust 3¾s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

Hilton Hotels Corp.
Oct. 27, Conrad N. Hilton, President, announced that holders of stock of Hotels Statler Co., Inc., will be accorded rights to purchase Hilton securities. **Proceeds**—To pay in part for purchase of Hotels Statler Co., Inc. properties. [See also Statler Hotels Delaware Corp. under "Securities in Registration" above.] **Underwriter**—May be Carl M. Loeb, Rhoades & Co.

Holly Corp., New York.
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing has been arranged to be followed by a public offering after which this corporation plans to distribute a part of its holdings of Holly Uranium Corp. stock to its stockholders.

Illinois Central RR. (12/15)
Oct. 12 it was reported company plans to issue and sell $18,000,000 of sinking fund debentures due 1979. **Proceeds**—Together with treasury funds to redeem 372,914 shares of outstanding preferred stock (par $50). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected on Dec. 15.

★ Jarecki Corp. (12/13-17)
Nov. 10 it was reported early sale is planned of 180,000 shares of common stock. **Price**—Expected to be around $12.50 per share. **Proceeds** — To selling stockholders. **Business**—Manufactures tools and dies and precision instruments for firing mechanisms. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

Kansas City Southern Ry. (11/18)
Nov. 4 it was announced company plans to issue and sell $50,000,000 of first mortgage bonds, series C, due Dec. 1, 1984. **Proceeds**—Together, with other funds, will be used to redeem $37,889,000 of series A 4% bonds and $13,154,000 of series B 3⅝% bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Kuhn, Loeb & Co., Ladenburg, Thalmann & Co. and Blyth & Co., Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Nov. 18 at 25 Broad Street, New York 4, N. Y.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

Missouri Natural Gas Co.
Nov. 8 it was reported early registration of about 110,000 shares of common stock is expected. **Price**—May be around $8 per share. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

★ Missouri Pacific RR. (12/9)
Nov. 11 it was reported company plans to receive bids on Dec. 9 for the purchase from it of $8,550,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co Incorporated.

★ New England Power Co. (1/18)
Nov. 15 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds, series F, due 1985. **Proceeds**—To purchase properties from Connecticut River Power Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 18, 1955.

New England Telephone & Telegraph Co. (12/14)
Oct. 19 it was announced company plans issue and sale of $30,000,000 debentures due 1988. **Proceeds**—To repay loans and for additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly). **Bids**—Expected to be received on Dec. 14.

New England Telephone & Telegraph Co.
Oct. 19 it was announced company proposes to offer to its stockholders of record March 1, next, 511,205 additional shares of capital stock (par $100) on a 1-for-5 basis. American Telephone & Telegraph Co., its parent, owns about 69% of presently outstanding shares. **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

• New York, Chicago & St. Louis RR. (1/11)
Oct. 28 it was reported company may issue and sell in January, 1955, $36,000,000 of income debentures. **Proceeds**—To redeem outstanding $6 preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth Co., Inc. and Union Securities Corp. (jointly); Sm Barney & Co.; White, Weld & Co.; Kuhn, Loeb & **Bids**—Tentatively expected on Jan. 11.

Pacific Power & Light Co.
Oct. 19 stockholders approved a proposal to autho 200,000 additional preferred stock of $100 par va which are to be sold in series. **Proceeds**—For new c struction. **Offering**—Not imminent.

Pennsylvania Company for Banking and Tru Philadelphia, Pa. (12/1)
Aug. 24 it was announced stockholders will be offe the right to subscribe to 100,000 shares of common st (par $10) on the basis of new new share for each shares held as of Nov. 26, 1954; rights to expire Dec. 23. **Price**—To be named on Dec. 1. **Proceeds**— increase surplus and capital accounts. **Underwrite** Drexel & Co., Philadelphia, Pa.; and Merrill Ly Pierce, Fenner & Beane and Smith Barney & Co., New York.

• Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issue sell 100,000 shares of new preferred stock (par $1 **Underwriter**—To be determined by competitive biddi Probable bidders: Harriman Ripley & Co. Inc. Central Republic Co. Inc. (jointly); Smith, Barney Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. **Offerin** Expected in first half of 1955.

Savage Industries, Inc., Phoenix, Ariz.
Aug. 9 it was announced company plans later this to issue and sell an additional block of 75-cent cu lative convertible preferred stock (par $1), expec to gross around $250,000. **Proceeds**—For expansion acquisitions. **Underwriter**—Probably Pacific Coast curities Co., San Francisco, Calif.

★ Seaboard Air Line RR. (11/30)
Bids will be received by the company up to noon (ES on Nov. 30 at the office of Willkie Owen Farr Gallag & Walton, 15 Broad St., New York 5, N. Y., for the p chase from it of $5,010,000 equipment trust certifica series O, to be dated Dec. 1, 1954, and to mature in equal semi-annual instalments. Probable bidders: H sey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidd Peabody & Co.; Blair & Co., Incorporated.

★ Servomechanisms, Inc. (12/13-17)
Nov. 15 it was reported company plans to issue and $2,000,000 of 5% convertible debentures due 1966. U **derwriter**—Van Alstyne, Noel & Co., New York. **Reg tration**—Expected week of Nov. 22.

• Sheraton Corp. of America
Oct. 15 it was reported company may later issue and $6,000,000 of first mortgage bonds due 1965. **Underwri** —Paine, Webber, Jackson & Curtis. Financing temp rarily abandoned in November.

★ Southern Nevada Power Co.
Nov. 12 it was announced company plans to issue ad tional common stock early next year. **Underwriters** Hornblower & Weeks, William R. Staats & Co. and Fi California Co.

★ Texas & Pacific Ry. (12/8)
Nov. 11 it was reported company plans to receive b on Dec. 8 for the purchase from it of $1,350,000 of equ ment trust certificates. Probable bidders: Halsey, St art & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Pe body & Co.; Blair & Co. Incorporated; R. W. Presspri & Co.

★ Union Trust Co. of Maryand (1/4)
Nov. 11 it was announced bank plans to offer its stoc holders 100,000 additional shares of capital stock (p $10) on a 1-for-3 basis. **Underwriter**—Alex. Brown Sons, Baltimore, Md. **Meeting**—Stockholders will v on financing on Jan. 4.

★ U. S. National Bank of Portland (Ore.) (12 2
Nov. 8 it was announced that following approval stockholders on Nov. 26 of a merger with Commerc Bank of Oregon and Bank of Albany, it is planned offer stockholders of record Dec. 2 right to subscribe or before Dec. 24 for 48,000 shares of capital stock ($20). **Price**—$50 per share. **Underwriter**—Blyth & C Inc., New York.

Utah & Idaho Uranium, Inc., Kellogg, Ida.
Sept. 7 Lester S. Harrison, President, announced th the company contemplates obtaining funds to initia its uranium mining operations in Utah by the sale to t public of its unissued treasury stock. This financing w follow completion of the company's current drilling p gram.

Virginia Electric & Power Co.
Nov. 1 it was reported company may issue and sell $20 000,000 to $25,000,000 of first mortgage bonds some ti next Spring. **Underwriter**—To be determined by co petitive bidding. Probable bidders: Halsey, Stuart & C Inc.; Union Securities Corp.; Stone & Webster Securiti Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzle White, Weld & Co.

Western Pacific RR. Co.
Sept. 8, it was announced that directors have appro the issue and sale about Jan. 1, 1955 of $7,000,000 first mortgage bonds, series B. **Proceeds** — To imburse company for capital expenditures already ma and for future improvements. **Underwriters**—May be d termined by competitive bidding. Probable bidders: Ha sey, Stuart & Co. Inc.; Union Securities Corp. and Glo Forgan & Co. (jointly); Kidder, Peabody & Co. a Blyth & Co., Inc. (jointly); Lehman Brothers and Bea Stearns & Co. (jointly).

Our Reporter's Report

Events this week proved again that portfolio managers for large investment interests have not undergone any change of ideas on what they regard as a proper yield on new security issues.

That the 3% minimum still remains as a formidable barrier goes without saying after the experiences of underwriters with two Bell System issues within the past month.

This week Pacific Telephone & Telegraph Co., put an offering of $50,000,000 of 35-year debentures up for bids. The successful banking syndicate paid the company a price of 101.26 for a 3⅛% interest rate, making for a net interest cost of 3.07%.

The group then proceeded to reprice the issue for public offering at 101.823 for an indicated return of 3.04%. The Double A rated issue found a ready market with banks acting for major pension funds coming in for substantial blocks, along with at least one large insurance company and a number of savings banks.

Campbell Soup Stock

Bankers yesterday launched an operation which lifted another privately owned corporation out of that status and gave the public its first opportunity to participate in the business.

A block of 1,300,000 shares of stock Campbell Soup Co., was put on the market priced at 39¼ a share for an indicated yield of around 3.8%. The stock came from the Dorrance estate which continues to hold by far the bulk of the issue.

With a nationwide group of underwriters and dealers aiming to place the stock as widely as possible, investor response was reported exceptionally satisfactory.

Setting a Pattern

There were some interests who were disposed to keep an unusually watchful eye on the Campbell stock distribution, not for its immediate import, but with the thought in mind that the manner in which it was handled might set a pattern for other similar undertakings.

Naturally they had another big one in mind, the contemplated distribution to the public of at least part of the Ford Foundation's holdings in Ford Motor Co.

Some months ago it had been indicated that the Ford deal might be well along toward market just about this time, but due to circumstances surrounding the project it has been set back indefinitely.

Big Rail Issue Today

Another large railroad refunding operation was slated to get under way today with the opening of bids by Kansas City Southern Railway for $50,000,000 of new bonds of 30-year maturity.

The company will use the proceeds together with other treasury funds to retire approximately $52,000,000 of outstanding bonds bearing interest at 3¾% and 4%.

Competition here should be keen since three large banking syndicates have been formed to submit bids for the offering.

Halsey, Stuart Group Offers Pacific Tel. & Tel. 3⅛% Bonds

A syndicate headed by Halsey, Stuart & Co. Inc. yesterday (Nov. 17) offered $50,000,000 Pacific Telephone & Telegraph Co., 35-year 3⅛% debentures due Nov. 15, 1989, at 101.823% and accrued interest, to yield 3.04%. The group won award of the issue at competitive sale on Nov. 16 on a bid of 101.26%.

Net proceeds from the financing, together with other corporate funds, will be used by the company to redeem on Dec. 27, 1954, its 31-year 4% debentures due Sept. 15, 1984, which are presently outstanding in the principal amount of $50,000,000.

The debentures are to be redeemable at regular redemption prices ranging from 104.823% to par, plus accrued interest.

For the year 1953, consolidated operating revenues of the company and its subsidiary aggregated $578,909,603 and net income totaled $52,299,144. For the six months ended June 30, 1954, total operating revenues were reported at $301,652,946 and net income at $27,336,587.

Merrill Lynch Adds

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—William B. Scott is now with Merrill Lynch, Pierce, Fenner & Beane, Addison Building.

DIVIDEND NOTICES

Atlas Corporation
33 Pine Street, New York 5, N. Y.

Dividend No. 52
on Common Stock

A regular quarterly dividend of 50¢ per share has been declared, payable December 20, 1954 to holders of record at the close of business on November 29, 1954 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, Treasurer

November 16, 1954.

BRILLO MANUFACTURING COMPANY, INC.

Dividend No. 99

A Dividend No. 99 of Forty Cents ($.40) on the Common Stock has been declared, payable January 3, 1955, to stockholders of record December 15, 1954.

M. B. LOEB, President

Brooklyn, N. Y.

AMERICAN Cyanamid COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series B, and a quarterly dividend of ninety-three and three-quarter cents (93¾¢) per share on the outstanding shares of the Company's 3¾% Cumulative Preferred Stock, Series C, payable January 3, 1955, to the holders of such stock of record at the close of business December 3, 1954.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of fifty cents (50¢) per share on the outstanding shares of the Common Stock of the Company, payable December 24, 1954, to the holders of such stock of record at the close of business December 3, 1954.

R. S. KYLE, Secretary

New York, November 16, 1954.

DIVIDEND NOTICES

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of one dollar and ten cents ($1.10) per share on the capital stock (without par value) of the Corporation, payable December 15, 1954, to stockholders of record November 26, 1954.

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.

November 16, 1954

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Del., November 15, 1954

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable January 25, 1955, to stockholders of record at the close of business on January 10, 1955; also $2.50 a share on the Common Stock as the year-end dividend for 1954, payable December 14, 1954, to stockholders of record at the close of business on November 22, 1954.

L. DU P. COPELAND, Secretary

DIAMOND ALKALI CHEMICALS

Dividend Number 12 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on November 12, 1954, declared a dividend of $1.10 per share for the quarter ending December 15, 1954, payable December 15, 1954, to holders of 4.40% Cumulative Preferred Stock of record November 22, 1954, and a regular quarterly dividend of 37½ cents per share, payable December 6, 1954, to holders of Common Capital Stock of record November 22, 1954.

DONALD S. CARMICHAEL, Secretary

Cleveland, Ohio, November 13, 1954

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

CITY INVESTING COMPANY
25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on November 17, 1954, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company payable January 1, 1955 to stockholders of record at the close of business on December 15, 1954.

EDWARD FRAHER, Secretary

LOEW'S INCORPORATED
MGM PICTURES · THEATRES · MGM RECORDS

November 17, 1954

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock of the Company, payable on December 24, 1954, to stockholders of record at the close of business on December 7, 1954. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

MIAMI COPPER COMPANY
61 Broadway, New York 6, N. Y.

November 12, 1954.

A quarterly dividend of fifty (50c) cents per share has been declared, payable December 21, 1954, to stockholders of record at the close of business December 2, 1954.

JOHN G. GREENBURGH, Treasurer.

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

CONSOL

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on December 10, 1954, to shareholders of record at the close of business on November 26, 1954. Checks will be mailed.

CHARLES E. BEACHLEY, Secretary-Treasurer

November 15, 1954.

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 162

A dividend of TWO DOLLARS a share has been declared on the capital stock of this Company, payable December 22, 1954, to stockholders of record at the close of business on December 2, 1954. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

DIVIDEND NOTICES

Public Service Electric and Gas Company
NEWARK, N. J.

QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.04½ a share on the 4.18% Cumulative Preferred Stock, 35 cents a share on the $1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending December 31, 1954, all payable on or before December 23, 1954 to holders of record at the close of business on November 30, 1954.

F. MILTON LUDLOW
Secretary

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

REYNOLDS METALS COMPANY
Reynolds Metals Building
Richmond 19, Virginia

COMMON STOCK

A dividend of five percent (5%) on the outstanding common stock of the Company, has been declared payable January 7, 1955, in common stock of the Company, to holders of record at the close of business December 21, 1954. Scrip certificates will be issued for resulting fractional shares.

The transfer books will not be closed. Resulting stock and scrip certificates will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, Secretary

Dated, November 11, 1954

REYNOLDS METALS COMPANY
Reynolds Metals Building
Richmond 19, Virginia

COMMON DIVIDENDS

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable December 31, 1954, to holders of record at the close of business December 14, 1954.

A dividend of fifty cents (50¢) a share on the outstanding common stock has been declared payable January 5, 1955, to holders of record at the close of business December 14, 1954.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, Secretary

Dated, November 11, 1954

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 75 cents per share on the 3,340,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable December 15, 1954, to stockholders of record at the close of business November 26, 1954.

E. F. VANDERSTUCKEN, JR.,
Secretary.

The UNITED Corporation

The Board of Directors has declared a semi-annual dividend of 10 cents per share, plus an extra dividend of 7 cents per share on the COMMON STOCK, both payable December 16, 1954 to stockholders of record at the close of business November 26, 1954.

WM. M. HICKEY,
President

November 16, 1954

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND

79th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable January 10, 1955 to stockholders of record December 23, 1954.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 53 cents a share on $2.12 Convertible Preferred Stock, and $1.43¾ on the $5.75 Sinking Fund Preferred Stock. All preferred dividends are payable January 10, 1955 to stockholders of record December 23, 1954.

A. E. WEIDMAN
Treasurer

October 28, 1954

SAFEWAY STORES INCORPORATED

Common and Preferred Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on Nov. 9, 1954, declared the following quarterly dividends:

60¢ per share on the $5.00 par value Common Stock.

$1.00 per share on the 4% Preferred Stock.

$1.07½ per share on the 4.30% Convertible Preferred Stock.

Common Stock dividends are payable December 15, 1954 to stockholders of record at the close of business December 2, 1954. Dividends on the 4% Preferred Stock and 4.30% Convertible Preferred Stock are payable January 1, 1955 to stockholders of record at the close of business Dec. 2, 1954.

MILTON L. SELBY, Secretary
November 9, 1954

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is a feeling here that President Eisenhower may have reached a state of mind closely parallel to that held by former President Truman just prior to the outbreak of hostilities in Korea.

Mr. Truman, prior to June, 1950, had seemed to back away considerably from any fear that the Reds would bust out somewhere. He was much preoccupied with his domestic Fair Deal. Military expenditures had been held down to an appropriation of $13 billion per year, and the then Chairman of Joint Chiefs of Staff, Gen. Omar Bradley, solemnly assured all that $13 billion was adequate to deal with the Red menace, just as sincerely as the same General was convinced not long later that military expenditures would have to be two or three times that sum.

It was not long before that President Truman in his press conference made the famous crack to the effect that perhaps Good Old Joe Stalin wasn't such a bad fellow after all.

President Eisenhower throughout the campaign of this fall emphasized the theme of "peace and prosperity." He observed in Boston that he didn't look for war for some time, and the President took the shooting down of an American photographic plane over northern Japan with remarkable calmness.

Many observers have seemed to be mystified by the President's optimism about the freedom of danger from international war. They express the possibility that maybe the President has some information he hasn't yet revealed, which inclines him to have such an optimistic outlook.

Could be, of course. It may be that the President has some secret information which causes him to believe there isn't a possibility that the Reds will be starting a little shooting war some place in the next few years.

On the other hand, there are powerful pressures upon the President to want to put behind him the fear that there could be trouble with the Reds at almost any one of a dozen places at any time. In his major address before the National Security Industrial Association of late October, the President disclosed a great pre-occupation with the expanding economy, with welfare programs, and with projected heavy outlays for hospitals, roads, and eventually, for schools.

Some sources here say that the programs outlined by the President would lead to a minimum annual outlay of an additional $7.5 billion.

On the other hand, the President disclosed a firmness toward the program of continually scaling down "all security" expenditures. Just about the only chance the President has of expanding domestic expenditures and keeping the budget within $4 to $5 billion annually short of a balance lies in continuing the program of reducing military spending.

Cautions On Foreign Investments

At a time when President Eisenhower seems to be enamored of the idea that heavy American investment abroad can go far to redress foreign economic imbalances, and when Treasury Secretary Humphrey trotted out and approved the idea of a "junior world bank" which has been kicking around for a couple of years, a note of caution has been sounded here against this trend.

This came from Charles R. Carroll, counsel to the National Foreign Trade Council, in a study, "Private Investments Abroad," issued under the auspices of the American Enterprise Association.

The historical pattern of American investments, said Mr. Carroll suggests that certain specific factors be taken into account:

"First, direct private investment rather than portfolio investment is the form best suited to the aptitude and experience of the U. S. investor.

"Second, availability of private funds is not the limiting factor in the growth of U. S. private foreign investment; and

"Third, private foreign investment has been expanding at an encouraging rate wherever foreign countries have provided a congenial climate."

New FNMA May Rely On Private Market

In announcing the new set-up for the Federal National Mortgage Association, the Eisenhower Administration placed great stress upon its projected reliance upon private funds rather than the Federal Treasury for its main function. That function is to serve as a market, a so-called "secondary market" for the FHA insured and VA guaranteed loans.

Altogether FNMA in portfolio and commitments has a stock of nearly $3 billion of government-sponsored mortgage loans. With minor exceptions, FNMA has since its beginning in the 1930's, relied upon the Treasury as its source of funds.

The new plan, the Administration points out, contemplates a different set-up. Funds are supposed to come primarily from the sale of FNMA's own debentures in the private money markets. Furthermore, every holder of a government-sponsored mortgage which shifts the same to FNMA will have 3% of the proceeds thereof deducted and invested in the capital stock of FNMA. In that way "private capital" is supposed to replace Federal capital in this mortgage institution.

It is even contemplated that some of the present portfolio will be financed by the sale of these debentures. An issue is said to be due of such debentures shortly after the turn of the year, the money to be used to repay the Treasury for the latter's advances to FNMA. This step, incidentally, will help the Treasury with its problem of keeping under the national debt limit.

If FNMA carried through with this plan, eventually the money market rather than the Treasury would provide this back-stop for government-sponsored loans. If this plan were carried through it would also provide a sharp exception to the general tenor of the Housing Act of 1954, which greatly increases the dependence of the housing industry upon government-propped credit, by placing government insurance and guarantees behind a much softer scale of urban mortgage credit.

Avoids Firm Commitment

On the other hand, there is no assurance that the new FNMA of the Housing Act of 1954 will follow through with this objective.

For one thing, the new FNMA set-up provides a specific general exception to this purported trend toward reliance upon the private money market. Some $300 million of Treasury credit may be called into being at the order of the President to support any type of government-sposored credit designated for the purpose by the President. This special mortgage assistance was designed, of course, to insure that new and more liberal types of mortgage credit provided by the new act can be held by the hand so long as it is necessary.

An inflationary-minded Congress or a possible future Administration liking soft credit can jointly increase the Federal allotment for "special mortgage assistance" and can increase at will the types of mortgages eligible for direct Treasury purchase via FNMA.

Furthermore, the Act also kept from closing the door to the Federal Treasury in two other respects.

(1) While it is "contemplated" that as private capital in FNMA is built up, the $93 million of Treasury preferred stock in FNMA will be retired, the Act sets up no formula for this purpose. In other words, the government can decide when, in what amounts, or whether if ever, it wants to retire the Treasury capital.

(2) The Act also provides that "under certain circumstances," the Treasury can purchase FNMA debentures. In other words, if the Administration wants to, it can continue to finance FNMA with direct Treasury money, a step undoubtedly necessary under circumstances when it would not be feasible to sell FNMA debentures.

Wanted to Hold On

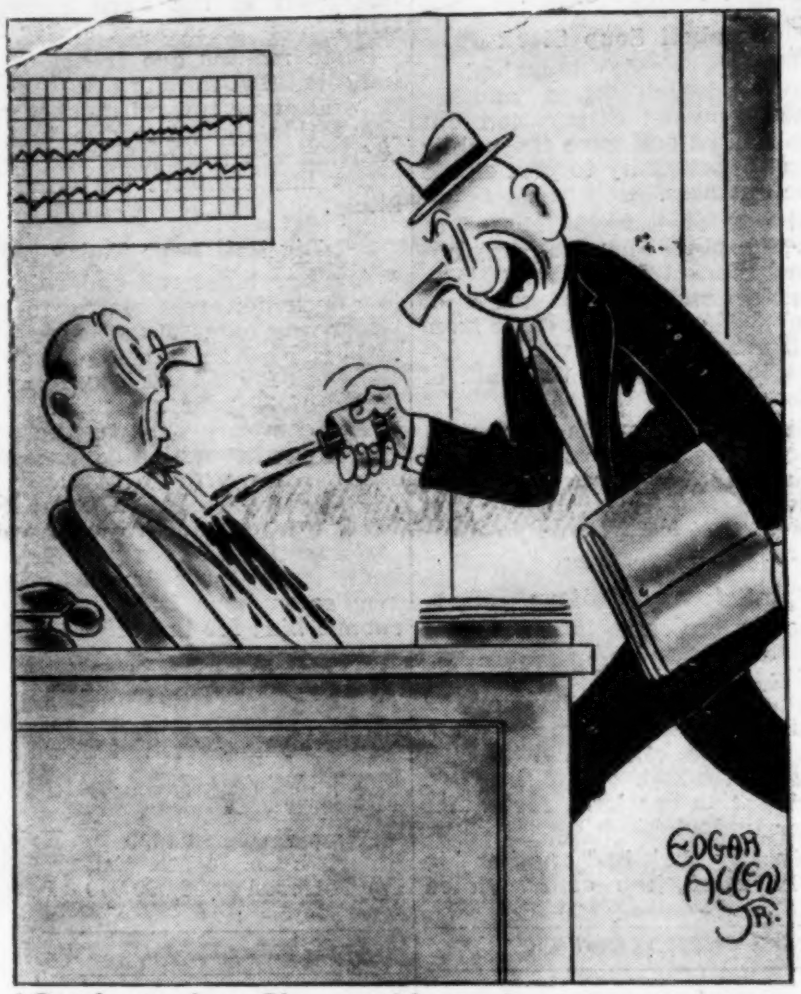
The Eisenhower Administration deliberately avoided cutting FNMA off from Mama Treasury's apron strings, finally and irrevocably. For this it had a reason. The reason was that the Administration wanted the Federal Government to be able to step back in and pour out the dough should business falter and it seem desirable to steam up a big housing boom as an anticyclical measure.

On the other hand, by reserving this step toward private credit, the Administration will make it so much easier for a possible future inflationary Administration and Congress. The latter wlll not be compelled to go through the agony of materially amending FNMA's law, or of dealing with the accomplished fact of a return of the so-called "secondary market" to the free money markets.

Furthermore, whenever or if ever interest rates tend to rise on government-sponsored credit, any Administration will be tempted to repeal this timid move toward the private money markets. For the maintenance of low interest rates on government-sponsored mortgages is a politically sacred thing.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Good morning, Sir—would you be interested in an ink stain remover?"

Joins Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif. — Robert L. Sullivan is now with Pacific Coast Securities Company, 2300 Huntington Drive.

Pledger Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold E. Klinke is now with Pledger & Company, Inc., 210 West Seventh Street, members of the Los Angeles Stock Exchange.